

SANTA CRUZ COUNTY, ARIZONA

Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2003



SANTA CRUZ COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2003

BOARD OF SUPERVISORS

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MEMBER
DISTRICT #1**

**ROBERT DAMON,
VICE CHAIRMAN
DISTRICT #2**

**JOHN MAYNARD,
CHAIRMAN
DISTRICT #3**

COUNTY MANAGER

GREG LUCERO

PREPARED BY THE SANTA CRUZ COUNTY FINANCE DEPARTMENT

**DIRECTOR OF ADMINISTRATIVE SERVICES
JENNIFER K. ST. JOHN**

MAYRA OCHOA

SANTA CRUZ COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2003

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BOARD OF SUPERVISORS

SANTA CRUZ COUNTY

MANUEL RUIZ
District 1

ROBERT DAMON
District 2

JOHN MAYNARD
District 3

January 14, 2004

The Honorable Board of Supervisors
Santa Cruz County, Arizona

I am pleased to submit, in accordance with state statutes, Santa Cruz County's (the County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. This report has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). County management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all representations and disclosures. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Beginning with this fiscal year ended June 30, 2003, the County implemented GASB Statement 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as required. This statement represents a dramatic change in governmental financial reporting. Information about these changes are contained in Management's Discussion and Analysis (MD&A), which immediately follows the Independent Auditors' Report. We trust you will find this new presentation helpful in understanding the financial status of Santa Cruz County. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The CAFR is presented in three sections:

- The *Introductory Section* includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, and the County's organizational chart.
- The *Financial Section* includes the audited basic financial statements (government-wide and fund statements), notes to the financial statements, required supplemental statements, supporting statements and schedules necessary to fairly present the financial position and the results of operations of the County in conformity with GAAP, and the independent auditors report on the basic financial statements. New this year is the narrative introduction, overview and analysis found in the MD&A.
- The *Statistical Section* includes selected financial and demographic information.

This report includes all funds of the County. The County provides a full range of services, including law enforcement and public safety, health care, sanitation, and welfare programs, construction and maintenance of highways, streets and related infrastructure, recreational services and cultural activities, and education.

Profile of Santa Cruz County

Santa Cruz County is situated in the southern part of Arizona with its southern boundary bordering Mexico. The County was split from Pima County by the 20th Territorial Assembly in 1899. Santa Cruz County encompasses approximately 1250 square miles and has roughly 40,000 people. The neighboring community of Nogales, Sonora, Mexico has grown to an estimated population of 350,000.

Santa Cruz County is divided into three supervisorial districts. Each district elects a member to the Board of Supervisors to serve a four-year term. The Chair is selected by the Board from among its members. The Board establishes the policies that govern the various County departments. The Board-appointed County Manager oversees the County's general administrative operations.

Economic Condition and Outlook

Santa Cruz County serves as a gateway for international trade and is a major link in the CANAMEX Trade Corridor, which connects Canada, the United States, and Mexico. The County's location at the U.S. and Mexican border provides excellent opportunities in shipping and distribution, retail trade, manufacturing and tourism. The County has been a trading center for Northern Mexico since the 1880's. Over 75,000 visitors come from northwest Mexico daily to shop in Santa Cruz County.

The County is home to some of the largest produce distributors in the United States. At peak season over 1,200 trucks pass swiftly through Santa Cruz County's state-of-the-art commercial port, carrying approximately 70% of the winter produce consumed in the U.S. and Canada in a normal year. Santa Cruz County's produce industry is anchored by over 250 brokers, distributors and warehouses.

The County's economy has been negatively affected by the tragic events of September 11th. Increased border security has slowed commercial trucking at the Ports of Entry and deterred shoppers from Mexico. Business owners who cater to Mexican shoppers have been greatly impacted and the most obvious impact has been a reduction in County sales tax revenue. The County continues to suffer from extremely high unemployment and poverty rates.

The State of Arizona's dismal financial situation has forced the County to work closely with the State Legislature to minimize and, at times, reduce the County's share in the cost of State mandated programs. Continued cost shifting maneuvers by the State Legislature have resulted in the development of contingency plans, such as a reduction in force, to reduce County expenditures.

The County's intention is to continue to operate in a fiscally responsible manner that respects our heritage and our environment, while exploring new economic opportunities and providing the services demanded of a rapidly growing border community.

Major Initiatives

Through federal funding the Arizona Department of Transportation has initiated the development of the Nogales CyberPort Project. In today's border security environment, ports-of-entry have increased levels of enforcement and inspection with limited capacity, financially as well as physically, to accommodate significant increases in trade. The goal of this project was to define a new concept model for a coordinated, seamless, flexible and integrated system for the safe, secure and efficient movement of trade. The CyberPort Project report was completed in June 2003.

To comply with State mandates regarding growth, the County has embarked on a significant overhaul of its Comprehensive Land Use Plan. The document will include sections related to water resources and the cost of development as well as circulation and land use classifications. This ten-year plan should be approved in the spring of 2004.

The County will add over 22 acres of recreation land to its park system in 2004. The Robert Damon Recreation Complex will include baseball/soccer fields, a restroom/concession building and exercise trail. Construction is funded through a combination of Community Development Block Grant and Arizona Heritage Grant funding.

The events of September 11, 2001 brought a significant increase in the level of federal funding for local emergency management activities and, as a border community, Santa Cruz County has benefited from this new national focus. In this fiscal year, Emergency Management has utilized its funding to address the needs that were identified in the local risk assessment conducted in prior years. These needs include equipment, training and planning activities. In addition, several tabletop exercises were conducted in anticipation of a full scale field exercise next year.

The County geographic information system (GIS) has matured over the past year. Recent upgrades in the number of software licenses allow more users at one time increasing employee efficiency. Training for technical and management staff provided new levels of proficiency. Data development, rectification and quality assurance tasks have progressed throughout the year.

The 1904 Courthouse in Nogales has become the center of community based partnerships, offering services to residents of Santa Cruz County. Santa Cruz County Workforce Development, Santa Cruz County Schools Department and Literacy Volunteers of Santa Cruz County have partnered to provide English as a Second Language, GED preparation, job search seminars, computer lab with high speed internet connectivity and other "One-Stop" services. With nearly 8,000 visits between July 2002 and June 2003 the prospect for continued growth in services for Santa Cruz County residents is promising.

The Old Tucson Road Safety Improvement Project is part of the Southeast Arizona Governments Organization (SEAGO) five year transportation improvement program funded through the Federal Highway Administration. The improvements consist of widening and resurfacing the existing road throughout the length of the project to a new roadway width of 40 feet. A three-lane configuration is projected for the intersections of South River Road and Monte Vista Drive and possibly other intersections as needed to facilitate traffic movements. As a part of the project the Potrero Creek Bridge will be replaced with a structure meeting current load standards. Construction is anticipated to begin in late June of 2004 with completion in October of 2004. The project's estimated cost is 2.8 million.

The Tubac Drainage project is located within the Village of Tubac. The proposed project consists of shoulder removal and replacement, swale and detention basin construction, culvert installation and brush removal. The project is estimated at \$ 100,000 plus land acquisition.

The Chula Vista Project is a federally funded, three part flood control plan formulated and recommended in the "Feasibility Report and Environmental Assessment." The purpose of this project is to provide flood protection up to the 100 year future condition event for the Chula Vista community located about 4 miles north of the US/Mexico boundary.

The County continued to work on several Airport projects during the fiscal year ended June 30, 2003. Such projects are funded mostly through various state and federal grants. The County feels that the improvements at the airport will assist in promoting economic development.

Financial Management

County management is responsible for establishing and maintaining an internal control structure designed to ensure that the County's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the County's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording and integrity of financial statements and underlying financial transactions.

Independent Audit: State statutes require that the County issue annual financial statements, which shall be audited by the State of Arizona, Office of the Auditor General or its designee. The State Auditor's report on the financial statements of the governmental activities, each major fund and the aggregate remaining funds are included as the first component of the financial section of this report.

Single Audit: As a recipient of federal and state financial assistance, the County is required to have an annual audit under the Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. OMB requirements also address the establishment and maintenance of an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. Tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as determining that the County has materially complied with applicable laws and regulations. The Single Audit Report is issued separately from this report and has not been completed for the fiscal year ended June 30, 2003, as of this date.

Budgeting Controls: The County also maintains budgetary controls, which are designed to help ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Budgetary control generally is maintained at the departmental level for all funds. Management further controls budgets by not allowing personnel savings to be reprogrammed to operating supplies and services within a department.

Financial Information

The Reporting Entity: The financial reporting entity includes all the funds of the primary government, Santa Cruz County, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the funds of the Santa Cruz County Flood Control District, whose Board of Directors is the County's Board of Supervisors, are blended and reported as a special revenue fund of the primary government.

Employee Pension Plans: The County participates in three employee pension plans and a pension plan for elected officials. Both employees and the employer make contributions directly to their respective pension plans. Additional information about these plans can be found in Note 9 of the Notes to Financial Statements.

Cash and Investment Management: Our County Treasurer is responsible for investing cash from the county, schools and special districts. The Arizona Revised Statutes provides specific guidance to the Treasurer for investment of public funds. Most cash, other than imprest accounts, is on deposit with the Arizona State Treasurer. Amounts temporarily idle during the year are invested on a short-term basis.

Risk Management: Santa Cruz County participates in two public entity risk pools to cover various risks of loss. The Arizona Counties Property and Casualty Pool provides member counties with catastrophic loss coverage for general liability and property damage. The Arizona Counties Workers' Compensation Pool provides member counties with workers' compensation coverage.

The County also participates in the Arizona Local Government Employee Benefit Trust to provide for employee health insurance. The trust provides the benefits through a self-funding agreement with its participants and administers the program.

Awards and Acknowledgements

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Cruz County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the thirteenth consecutive year that Santa Cruz County has received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to the GFOA Certificate of Achievement program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments: The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Finance Department. I would also like to thank every County department who assisted in and contributed to the preparation of this report. In addition, the staff of the Auditor General's Office provided excellent support and technical advice. I also wish to express my sincere appreciation to the Board of Supervisors, the County Manager, and the Deputy County Manager for their interest and support in planning and conducting the financial operations of the County in a responsible manner.

Respectfully submitted,

Jennifer K. St. John, CPA
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Cruz County,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

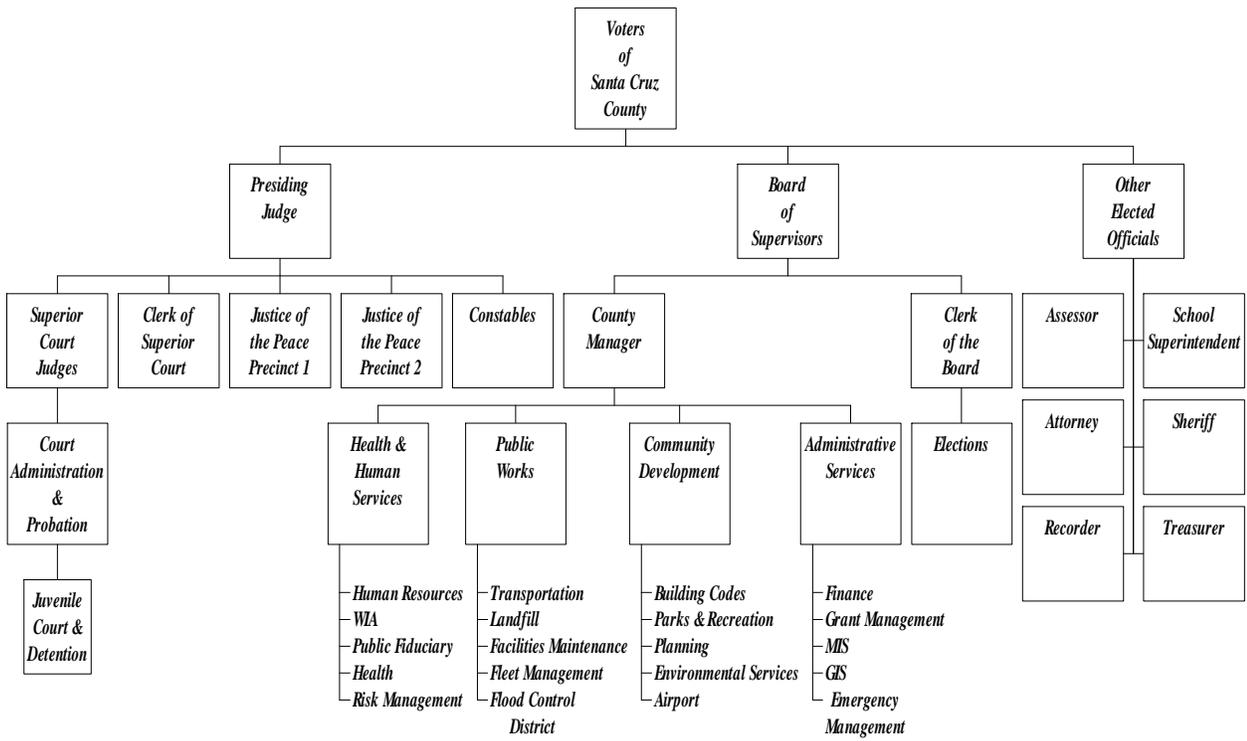
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Santa Cruz County Organizational Chart



FINANCIAL SECTION



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Santa Cruz County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of and for the year ended June 30, 2003, as listed in the table of contents, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for the year ended June 30, 2003, to implement a new financial reporting model. In addition, as described in Note 2, the County restated the governmental funds' beginning balances to remove compensated absences payable as a result of implementing GASB Interpretation No. 6. This resulted in a restatement of beginning fund balances reported on the fund-based financial statements for the governmental funds.

The Management's Discussion and Analysis on pages 3 through 10, the Schedule of Agent Retirement Plans' Funding Progress on page 38, and the Budgetary Comparison Schedules on pages 39 through 44, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants at a future date. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

January 14, 2004

Santa Cruz County

Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of Santa Cruz County's (County) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the transmittal letter that begins on page v and with the County's basic financial statements following this section.

Financial Highlights

- At June 30, 2003, the assets of the County exceeded liabilities by \$24,894,241 (net assets). Of this amount, \$6,117,533 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$2,288,913 is restricted for specific purposes (restricted net assets), and \$16,487,795 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$4,613,573.
- At June 30, 2003, the governmental funds reported combined fund balances of \$10,990,384 or an increase in fund balance of \$3,180,769, as restated, in comparison with the prior year.
- At June 30, 2003, unreserved fund balance for the general fund was \$7,371,135, approximately 41% of total general fund expenditures. In accordance with Arizona Revised Statutes § 42-17151, this entire amount is budgeted to be spent in the next fiscal year.
- The County's total long-term debt increased by \$1,021,673 during the current fiscal year. The key factor in this increase was three additional lease-purchase agreements for heavy construction equipment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The *Statement of Net Assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Santa Cruz County Management's Discussion and Analysis

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*government activities*). The governmental activities of the County include general government, public safety, highways and streets, health, welfare and sanitation, education and economic opportunity, and recreation. The County has no business-type activities.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The blended component unit included in the County's basic financial statements is the Santa Cruz County Flood Control District.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: *governmental funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County reports four major governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General, Road, Criminal Justice Enhancement, and WIA funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The fiduciary funds financial statements can be found on pages 18-19 of this report.

Santa Cruz County

Management's Discussion and Analysis

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 21-35 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Road, Criminal Justice Enhancement, and WIA funds of the County. It also includes a schedule of agent retirement plan funding progress. Required supplementary information can be found on pages 38-46 of this report.

Government-wide Financial Analysis

This year is the first fiscal year the County implemented Governmental Accounting Standards Board (GASB) Statement No. 34. The County has not restated prior periods for providing the comparative data for the Management's Discussion and Analysis because certain prior-year information is unavailable. However, in future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, at June 30, 2003, assets exceeded liabilities by \$24,894,241.

Statement of Net Assets June 30, 2003

	<u>Governmental Activities</u>
Current and other assets	\$14,805,173
Capital assets	<u>19,749,012</u>
Total assets	<u>34,554,185</u>
Current and other liabilities	1,423,151
Long-term liabilities	<u>8,236,793</u>
Total liabilities	<u>9,659,944</u>
Net assets	
Invested in capital assets, net of related debt	16,487,795
Restricted net assets	2,288,913
Unrestricted net assets	<u>6,117,533</u>
Total net assets	<u>\$24,894,241</u>

The largest portion (\$16,487,795 or 66%) of the County's net assets reflects the investment in capital assets (e.g., land, buildings, machinery and equipment and construction in progress), less accumulated depreciation and related debt used to acquire those assets still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Santa Cruz County

Management's Discussion and Analysis

Restricted net assets (\$2,288,913 or 9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,117,533 or 25%) may be used to meet the government's ongoing obligations to the citizens and creditors.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets.

Changes in Net Assets

The following table indicates the changes in net assets for governmental activities:

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 4,955,201
Operating grants and contributions	11,322,828
Capital grants and contributions	100,152
General revenues:	
Property taxes	9,819,543
Share of state sales taxes	5,828,156
Payments in lieu of taxes	591,316
Grants and contributions not restricted to specific programs	550,035
Investment income	(113,151)
Miscellaneous	51,705
Total revenues	<u>33,105,785</u>
Expenses:	
General government	10,129,266
Public safety	5,758,114
Highways and streets	3,408,878
Health, welfare and sanitation	4,935,446
Education and economic opportunity	3,999,363
Recreation	153,514
Interest on long-term debt	107,631
Total expenses	<u>28,492,212</u>
Change in net assets	4,613,573
Net assets—beginning, as restated	<u>20,280,668</u>
Net assets—ending	<u>\$24,894,241</u>

Governmental Activities

Financial Analysis of the County's Funds

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – governmental activities are contained in the general, special revenue, debt service, and capital projects funds. The focus of the County's governmental funds is to provide

Santa Cruz County Management's Discussion and Analysis

information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2003, the County's governmental funds reported combined fund balances of \$10,990,384, an increase of \$3,180,769, as restated, in comparison with the prior year. Approximately 96% of the combined fund balances, \$10,593,887, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has been committed for prepaid items and debt service expenditures.

The General fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General fund was \$7,371,135. Unreserved fund balance represents 41% of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The following table presents the amount of governmental revenues from various sources as well as the increases or decreases from the prior year. The prior year amount has been restated for comparative purposes to correct an understatement of revenues totaling \$0.5 million.

	FY 2002-03		FY 2001-02		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<i>Revenues by Source</i>						
Taxes	\$11.0	34%	\$10.1	31%	\$ 0.9	9%
Intergovernmental	16.7	52	18.8	57	(2.1)	(11)
Licenses and permits	.7	2	.5	1	0.2	40
Charges for services	2.7	8	2.2	7	0.5	23
Fines and forfeits	1.0	3	.8	2	0.2	25
Investment income	(0.1)	0	.2	1	(0.3)	(150)
Miscellaneous	.2	1	.2	1	.0	0
Totals	<u>\$32.2</u>	<u>100%</u>	<u>\$32.8</u>	<u>100%</u>	<u>\$(0.6)</u>	<u>(2)</u>

The following provides an explanation of revenues, by source, that changed significantly over the prior year:

- Taxes – the increase of \$900,000 was primarily due to a 6% increase in the assessed valuation from the previous year and a 2% increase in the primary property tax rate.
- Intergovernmental – the \$2.1 million dollar decrease is due largely to a \$1.8 million dollar decrease in Federal and State funding for the County's Flood Control District. The decrease was due to the County completing flood control projects in the prior fiscal year. The remaining revenue decrease comes from Federal and State grant cuts.
- Charges for Services – this increase is due to our increased usage at the Landfill over the previous year. In addition, the County increased its fee schedule in anticipation of decreased revenues from the State.

Santa Cruz County

Management's Discussion and Analysis

The following table presents governmental expenditures by function compared to prior year amounts.

<i>Expenditures by Function</i>	FY 2002-03		FY 2001-02		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 9.9	33%	\$10.8	34%	\$ (0.9)	(8)%
Public safety	5.7	19	5.4	17	0.3	6
Highways and streets	3.7	12	4.8	15	(1.1)	(23)
Health, welfare and sanitation	4.9	16	4.9	15	0	0
Education and economic opportunity	4.0	13	3.3	10	0.7	21
Recreation	.2	1	.2	1	0	0
Capital outlay	1.1	4	2.0	6	(0.9)	45
Debt service	.6	2	.6	2	0	0
Totals	<u>\$30.1</u>	<u>100%</u>	<u>\$32.0</u>	<u>100%</u>	<u>\$(1.9)</u>	<u>(6)</u>

The overall decrease in expenditures from the prior year is due to anticipated revenue loss from Federal and State grants and State shared revenues due to the poor economy. As a result, the County decreased budgeted expenditures from the previous year in anticipation of the revenue decrease. As noted previously, the County realized significant decreases in Federal and State grants (largely affects general government, highways and streets, and capital outlay expenditures).

The \$700,000 increase in education and economic opportunity expenditures is due to unexpended awards carried over from prior years and expended in the current year, primarily from the Workforce Investment Program (WIA).

General Fund Budgetary Highlights

The County did not amend the fiscal year 2002-03 adopted budget. General Fund actual expenditures were over \$2 million under the adopted budget and actual revenues exceeded estimated revenues by \$2.2 million. The County conservatively estimated revenues and actual revenues were not as adversely impacted by the current economic conditions as originally believed. Also, the County cut back the expenditures in anticipation of reduced revenues. The only department that substantially exceeded its departmental expenditure budget was the Sheriff's Office. The Sheriff's Office exceeded its budget by \$217 thousand due to unforeseen statutorily mandated prisoner expenditures (medical care and meals). The County does not anticipate any effects on its liquidity or future services.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2003, amounted to \$19.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, construction equipment and vehicles, and construction in progress. The County's investment in capital assets increased by 2 percent from the prior period. Major capital asset events during the current fiscal year included the following:

Santa Cruz County

Management's Discussion and Analysis

- Construction equipment and vehicles increased \$1.3 million primarily due to three new lease-purchase agreements for heavy construction equipment.
- Construction in progress decreased \$431,055 due to the completion of fiscal year 2002 construction in progress for the historic courthouse restoration.

Capital Assets (net of depreciation) (In Millions)

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>FY 2003</u>	<u>FY 2002 Restated</u>	<u>Percent of Change</u>
Land	\$ 5.9	\$ 5.8	2%
Buildings	6.5	6.4	2
Improvements other than buildings	3.7	3.7	0
Construction equipment and vehicles	2.4	2.0	20
Furniture and equipment	0.9	0.7	29
Construction in progress	<u>0.3</u>	<u>0.7</u>	(57)
Totals	<u>\$19.7</u>	<u>\$19.3</u>	2

Long-Term Debt

At June 30, 2003, the County had total long-term debt outstanding of \$4,044,743. This amount consists of general obligation bonds (\$1.5 million), capital leases (\$1.7 million), and long-term notes (\$783 thousand). The County made all scheduled debt payments totaling \$1.2 million and entered into new lease agreements totaling \$1 million. There were no changes to the County's credit ratings or debt limitations during the current fiscal year.

Additional information on the County's long-term debt can be found in Note 7 of the Notes to the Financial Statements on page 28 of this report.

Economic Factors and Next Year's Budget

- The volatility of the current economic climate has generated significant uncertainty in forecasting future financial activity. The County faces a less than favorable economic environment due to the budget deficit at the state level. State shared revenues are expected to be less than prior year while County contributions to State programs such as AHCCCS and ALTCS continue to rise. This dismal situation lead the County to develop contingency plans, such as a reduction in force, to help offset rising costs and less revenue.
- Unemployment rates continue to reach all time highs exceeding 15% this past year. Recovery from the recession will likely track behind national levels due to a limited employment base.
- Property tax revenues are expected to increase due to increases in assessed valuation and new construction. Building permit revenues have also increased significantly with the upsurge in housing starts.

Santa Cruz County Management's Discussion and Analysis

- Sales tax revenues remain largely unaffected by national trends due to vigorous cross border trade.
- The County's portion of the medical insurance that it provides to its employees is expected to increase by 7%.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Santa Cruz County Finance Department, 2150 N. Congress Drive, room 118, Nogales, AZ 85621.

BASIC FINANCIAL STATEMENTS

SANTA CRUZ COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2003

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 8,741,264
Property taxes receivable (net of allowances for uncollectibles)	1,663,463
Due from other governmental units	4,282,650
Accounts receivable	116,351
Prepaid items	1,445
Capital assets:	
Nondepreciable	6,252,577
Depreciable (net)	<u>13,496,435</u>
Total assets	<u>34,554,185</u>
Liabilities	
Accounts payable	1,210,438
Accrued payroll and employee benefits	212,713
Noncurrent liabilities:	
Due within 1 year	1,838,098
Due in more than 1 year	<u>6,398,695</u>
Total liabilities	<u>9,659,944</u>
Net Assets	
Invested in capital assets, net of related debt	16,487,795
Restricted for:	
Highways and streets	1,787,425
Capital Projects	29,255
Debt service	472,233
Unrestricted	<u>6,117,533</u>
Total net assets	<u>\$ 24,894,241</u>

See accompanying notes to financial statements

SANTA CRUZ COUNTY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities					
General government	\$ 10,129,266	\$ 1,823,502	\$ 3,379,117	\$ 100,152	\$ (4,826,495)
Public safety	5,758,114	1,001,595	1,146,271		(3,610,248)
Highways and streets	3,408,878	53,464	3,573,754		218,340
Health, welfare and sanitation	4,935,446	1,974,574	339,972		(2,620,900)
Education and economic opportunity	3,999,363	79,647	2,883,714		(1,036,002)
Recreation	153,514	22,419			(131,095)
Interest on long-term debt	107,631				(107,631)
Total governmental activities	\$ 28,492,212	\$ 4,955,201	\$11,322,828	\$ 100,152	(12,114,031)
General revenues:					
Taxes:					
Property taxes					9,819,543
Share of State sales taxes					5,828,156
Payments in lieu of taxes					591,316
Grants and contributions not restricted to specific programs					550,035
Investment income					(113,151)
Miscellaneous					51,705
Total general revenues					16,727,604
Changes in net assets					4,613,573
Net assets - July 1, 2002, as restated					20,280,668
Net assets - June 30, 2003					\$ 24,894,241

See accompanying notes to financial statements

SANTA CRUZ COUNTY

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2003

	General Fund	Road	Criminal Justice Enhancement	WIA	Other Governmental Funds	Total
Assets						
Cash and cash equivalents	\$3,815,694	\$1,616,148	\$ 488,437	\$ 100,458	\$2,720,527	\$ 8,741,264
Property taxes receivable (net of allowances for uncollectibles)	1,345,137				318,326	1,663,463
Due from other governmental units	1,742,554	572,125	626,421	800,545	541,005	4,282,650
Due from other funds	1,678,921					1,678,921
Accounts receivable	97,571	1,512	584	11,856	4,828	116,351
Prepaid items				1,060	385	1,445
Total assets	<u>\$8,679,877</u>	<u>\$2,189,785</u>	<u>\$1,115,442</u>	<u>\$ 913,919</u>	<u>\$3,585,071</u>	<u>\$16,484,094</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 420,655	\$ 300,335	\$ 72,931	\$ 190,124	\$ 226,393	\$ 1,210,438
Due to other funds			609,956	671,969	396,996	1,678,921
Deferred revenue	770,780		528,408	532,777	559,673	2,391,638
Accrued payroll and employee benefits	117,307	13,475	13,028	28,965	39,938	212,713
Total liabilities	<u>1,308,742</u>	<u>313,810</u>	<u>1,224,323</u>	<u>1,423,835</u>	<u>1,223,000</u>	<u>5,493,710</u>
Fund Balances:						
Reserved for:						
Prepaid items				1,060	385	1,445
Debt service					395,052	395,052
Unreserved, reported in:						
General fund	7,371,135					7,371,135
Special Revenue funds		1,875,975	(108,881)	(510,976)	2,012,927	3,269,045
Capital Projects funds					(46,293)	(46,293)
Total fund balances	<u>7,371,135</u>	<u>1,875,975</u>	<u>(108,881)</u>	<u>(509,916)</u>	<u>2,362,071</u>	<u>10,990,384</u>
Total liabilities and fund balances	<u>\$8,679,877</u>	<u>\$2,189,785</u>	<u>\$1,115,442</u>	<u>\$ 913,919</u>	<u>\$3,585,071</u>	<u>\$16,484,094</u>

See accompanying notes to financial statements

SANTA CRUZ COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2003

Total fund balances - governmental funds (page 14) \$ 10,990,384

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$30,500,586 and the accumulated depreciation is \$10,751,574. 19,749,012

Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,391,638

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	\$ (1,245,425)	
General obligation bonds payable	(1,520,000)	
Obligations under capital leases	(1,741,217)	
Long-term notes payable	(783,526)	
Estimated liabilities for claims and judgments	(75,000)	
Estimated liabilities for landfill closure and postclosure care costs	<u>(2,871,625)</u>	<u>(8,236,793)</u>

Net assets of governmental activities (page 12) \$ 24,894,241

SANTA CRUZ COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2003

	General Fund	Road	Criminal Justice Enhancement	WIA	Other Governmental Funds	Total
Revenues						
Taxes	\$ 9,048,032				\$ 1,999,928	\$ 11,047,960
Intergovernmental	7,639,370	\$ 3,326,390	\$ 1,105,660	\$ 1,668,607	2,987,317	16,727,344
Licenses and permits	648,236					648,236
Charges for services	2,155,903	16	26,816		496,088	2,678,823
Fines and forfeits	624,710		197,451		143,032	965,193
Investment income	(49,749)	(20,441)	(7,927)		(35,034)	(113,151)
Rents					30,000	30,000
Contributions			100		540	640
Miscellaneous	99,312	62,710	23,902	4,312	46,451	236,687
Total revenues	20,165,814	3,368,675	1,346,002	1,672,919	5,668,322	32,221,732
Expenditures						
Current:						
General government	7,672,026		538,994		1,657,553	9,868,573
Public safety	4,439,110		1,089,773		217,916	5,746,799
Highways and streets		2,914,280			737,337	3,651,617
Health, welfare and sanitation	3,993,720				952,888	4,946,608
Education and economic opportunity	1,086,570			2,223,766	726,847	4,037,183
Recreation	150,626					150,626
Capital outlay	685,366	308,413	27,894		76,926	1,098,599
Debt Service:						
Principal retirement					455,000	455,000
Interest and fiscal charges					107,631	107,631
Total expenditures	18,027,418	3,222,693	1,656,661	2,223,766	4,932,098	30,062,636
Excess (deficiency) of revenues over (under) expenditures	2,138,396	145,982	(310,659)	(550,847)	736,224	2,159,096
Other financing sources (uses):						
Capital lease agreements	685,366	308,413	27,894			1,021,673
Transfers in	220,199	7,500	70,811		354,022	652,532
Transfers out	(358,111)		(9,071)		(285,350)	(652,532)
Total other financing sources (uses)	547,454	315,913	89,634	-	68,672	1,021,673
Net change in fund balances	2,685,850	461,895	(221,025)	(550,847)	804,896	3,180,769
Fund balances, July 1, 2002, as restated	4,685,285	1,414,080	112,144	40,931	1,557,175	7,809,615
Fund balances, June 30, 2003	\$ 7,371,135	\$ 1,875,975	\$ (108,881)	\$ (509,916)	\$ 2,362,071	\$ 10,990,384

See accompanying notes to financial statements

SANTA CRUZ COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds (page 16) \$3,180,769

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays and the principal amount of capital assets acquired by capital leases in the year of inception as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays and current year capital lease acquisitions	\$1,886,973	
Less: current year depreciation	<u>(1,433,985)</u>	452,988

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(1,224)	
Change in landfill closure and postclosure care cost liability	<u>(71,992)</u>	(73,216)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.

Debt incurred:		
Capital lease financing	(1,021,673)	
Principal repayments:		
General obligation bonds payable	455,000	
Long-term notes payable	165,609	
Obligations under capital leases	<u>570,043</u>	168,979

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

884,053

Change in net assets of governmental activities (page 13) \$4,613,573

SANTA CRUZ COUNTY

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2003

	Investment Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 12,525,024	\$ 1,456,423
Interest receivable	20,354	
Total assets	<u>12,545,378</u>	<u>\$ 1,456,423</u>
Liabilities		
Due to other governmental units		\$ 599,295
Deposits held for others		<u>857,128</u>
Total liabilities		<u>\$ 1,456,423</u>
Net Assets		
Held in trust for investment participants	<u>\$ 12,545,378</u>	

See accompanying notes to financial statements

SANTA CRUZ COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS YEAR ENDED JUNE 30, 2003

	<u>Investment Trust Funds</u>
Additions	
Contributions by participants	\$ 85,612,190
Interest on investments	<u>(158,563)</u>
Total additions	<u>85,453,627</u>
Deductions	
Distributions to participants	<u>88,508,937</u>
Total deductions	<u>88,508,937</u>
Change in net assets	(3,055,310)
Net assets - July 1, 2002	<u>15,600,688</u>
Net assets - June 30, 2003	<u><u>\$ 12,545,378</u></u>

See accompanying notes to financial statements

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SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Santa Cruz County conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). During the year ended June 30, 2003, the County implemented GASB Statement No. 34, as amended by GASB Statement No. 37, which prescribes a new reporting model consisting of both government-wide and fund financial statements. The County also implemented GASB Statement No. 38, which prescribes new and revised note disclosures.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The following describes the County's component unit:

Component Unit	Description; Criteria for Inclusion	Reporting Method	Separate Financial Statements
Santa Cruz County Flood Control District	A tax-levying district that provides flood control systems; County board of supervisors serves as board of directors	Blended	Not available

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Road Fund accounts for monies from specific revenue sources that are restricted for road maintenance and operations and for pavement preservation.

The Criminal Justice Enhancement Fund accounts for various public safety and criminal justice programs that provide crime prevention, criminal apprehension, and prosecution.

The Workforce Investment Act (WIA) Fund accounts for federal programs to help educate and train low-income youth and adults to improve the quality of the workforce.

The County reports the following fund types:

The Investment Trust Funds accounts for pooled assets held and invested by the County Treasurer on behalf of County departments and other governmental entities.

The Agency Funds account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

C. Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred,

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and post-closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

D. Cash and Investments

The County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made and because the amounts on hand at June 30, 2003, were immaterial, they are not included in the Statement of Net Assets or the Balance Sheet.

F. Property Tax Calendar

The County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$10,000		
Buildings	10,000	Straight line	15-40 years
Improvements other than buildings	10,000	Straight line	40 years
Equipment, vehicles, and furniture	5,000	Straight line	5-7 years

H. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, for employees who terminate with a minimum of five years of continuous service and have accumulated sick leave hours in excess of 240 hours, sick leave benefits do vest and, therefore, are accrued. Such eligible terminating employees are compensated for actual sick leave at a percentage in proportion to years of service provided.

NOTE 2 – BEGINNING BALANCES RESTATED

As a result of implementing GASB Statement No. 34, the County's governmental fund-type fund balances as of June 30, 2002, have been restated as net assets as of July 1, 2002, on the government-wide Statement of Activities. Additionally, the County made the following prior period corrections: the General Fund's balance was restated to correct an understatement of revenues totaling \$498,484 during the year ended June 30, 2002. In addition, the fund balances of governmental fund types were restated at July 1, 2002, on the fund financial statements as a

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

result of implementing GASB Interpretation No. 6 to remove compensated absences payable previously reported in the accrued payroll and employee benefits from the fund financial statements of the governmental funds. The restatement increased beginning fund balances for the following governmental funds: General Fund - \$402,918, Road Fund - \$56,675, Criminal Justice Enhancement Fund - \$48,596, WIA Fund - \$18,546, and Other Governmental Funds - \$105,438. The long-term liabilities balance was restated at July 1, 2002, from \$7,906,500 to \$8,332,556 to add the previously reported compensated absences payable from the governmental funds and to correct a \$206,117 overstatement of estimated liabilities for landfill closure and postclosure care costs. Capital assets, net of accumulated depreciation was restated at July 1, 2002, to correct an understatement of furniture and equipment totaling \$58,629. The reconciliation below summarizes the differences between governmental fund-type fund balances as of June 30, 2002, as previously reported, to net assets as of July 1, 2002, reported on the government-wide Statement of Activities.

Aggregate fund balances of governmental fund types as of June 30, 2002	\$ 6,678,958
Prior period adjustments	1,130,657
Aggregate fund balances of governmental fund types as of June 30, 2002, as restated	<u>7,809,615</u>
Add: Capital assets, net of accumulated depreciation	19,296,024
Revenues earned but not yet available	1,507,585
Less: Long-term liabilities	<u>(8,332,556)</u>
Net assets of governmental activities as of July 1, 2002, as restated	<u><u>\$ 20,280,668</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2003, the following funds reported deficits in fund balance:

<u>Fund</u>	<u>Deficit</u>
Criminal Justice Enhancement	\$ 108,881
WIA	509,916
Juvenile Services	1,122
Community Development Block Grant	19,317
Runway	26,976

These deficits resulted from operations during the year, but are expected to be corrected through normal operations in fiscal year 2003-2004 or through transfers from the General Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

County Treasurer's Investment Pool – Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. Those monies are pooled with County monies for investment purposes.

Deposits – At June 30, 2003, the investment pool had cash on hand of \$430,230. The carrying amount of the investment pool's total cash in bank was \$92,342, and the bank balance was \$909,278. Of the bank balance, \$100,000 was covered by federal depository insurance and \$809,278 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

Investments – At June 30, 2003, the investments in the County Treasurer's investment pool consisted of the following.

	Fair Value
Investment in State Treasurer's investment pool	\$14,022,619
U.S. government securities	<u>2,004,950</u>
Total	<u>\$16,027,569</u>

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk. All other investments were uninsured or unregistered with securities held by the counterparty's trust department or agent in the County's name.

Other Deposits – At June 30, 2003, the carrying amount of the County's total nonpooled cash in bank was \$1,451,877, and the bank balance was \$1,596,040. Of the bank balance, \$719,844 was covered by federal depository insurance and \$876,196 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

Other Investments – At June 30, 2003, the County's nonpooled investments consisted of the following:

	Fair Value
Investment in State Treasurer's investment pool	<u>\$4,711,602</u>

A reconciliation of cash and investments to amounts shown as cash and cash equivalents on the Statement of Net Assets follows:

Cash and investments:

	County Treasurer's Investment Pool	Other	Total
Cash on hand	\$ 430,230	\$ 9,091	\$ 439,321
Carrying amount of deposits	92,342	1,451,877	1,544,219
Reported amount of investments	<u>16,027,569</u>	<u>4,711,602</u>	<u>20,739,171</u>
Total	<u>\$ 16,550,141</u>	<u>\$ 6,172,570</u>	<u>\$ 22,722,711</u>

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

Statement of Net Assets:

	Total Primary Governments	Total Fiduciary Funds	Total
Cash and cash equivalents	\$ 8,741,264	\$ 13,981,447	\$ 22,722,711

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governments at June 30, 2003, in the General Fund include \$850,169 in sales taxes and \$110,649 in auto lieu tax from the State of Arizona. Amounts due from other governments in the Road Fund include \$311,643 in highway user taxes from the State of Arizona. Amounts due from other governments in the Criminal Justice Enhancement Fund, WIA Fund, and Other Governmental Funds include \$612,920, \$800,545, and \$379,946, respectively, for federal reimbursement grants. The remaining balances results from various grants and contracts with other governmental units and interest due on investments held with the State Treasurer.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows:

	Primary Government			Balance June 30, 2003
	Balance July 1, 2002, as restated	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,826,469	\$ 106,922		\$ 5,933,391
Construction in progress (estimated cost to complete \$2,952,000)	673,316	76,925	\$ 431,055	319,186
Total capital assets not being depreciated	<u>6,499,785</u>	<u>183,847</u>	<u>431,055</u>	<u>6,252,577</u>
Capital assets being depreciated:				
Buildings	10,093,488	361,422		10,454,910
Improvements other than buildings	4,244,492	97,854		4,342,346
Construction equipment and vehicles	6,255,259	1,307,648	226,246	7,336,661
Furniture and equipment	1,752,363	367,257	5,528	2,114,092
Total	<u>22,345,602</u>	<u>2,134,181</u>	<u>231,774</u>	<u>24,248,009</u>
Less accumulated depreciation for:				
Buildings	3,658,956	261,373		3,920,329
Improvements other than buildings	560,884	106,583		667,467
Construction equipment and vehicles	4,297,594	822,143	226,246	4,893,491
Furniture and equipment	1,031,929	243,886	5,528	1,270,287
Total	<u>9,549,363</u>	<u>1,433,985</u>	<u>231,774</u>	<u>10,751,574</u>
Total capital assets being depreciated, net	<u>12,796,239</u>	<u>700,196</u>	<u>-</u>	<u>13,496,435</u>
Governmental activities capital assets, net	<u>\$ 19,296,024</u>	<u>\$ 884,043</u>	<u>\$ 431,055</u>	<u>\$ 19,749,012</u>

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

The County reclassified \$1,825,677 of Construction equipment and vehicles at June 30, 2002, to Improvements other than buildings at July 1, 2002.

Depreciation expense was charged to functions as follows:

Government Activities:	
General government	\$ 458,568
Public safety	337,810
Highways and streets	336,411
Health, welfare and sanitation	270,838
Education and economic opportunity	27,470
Recreation	<u>2,888</u>
Total governmental activities depreciation expense	<u>\$ 1,433,985</u>

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2003.

	Balance July 1, 2002, as restated	Additions	Reductions	Balance June 30, 2003	Due within 1 year
Governmental activities					
General obligation bonds payable	\$ 1,975,000		\$ 455,000	\$ 1,520,000	\$ 480,000
Obligations under capital leases	1,289,587	\$ 1,021,673	570,043	1,741,217	553,427
Long-term notes payable	949,135		165,609	783,526	167,498
Estimated liabilities for landfill closure and postclosure care costs	2,799,633	104,663	32,671	2,871,625	5,000
Compensated absences	1,244,201	537,934	536,710	1,245,425	632,173
Estimated liabilities for claims and judgments	<u>75,000</u>			<u>75,000</u>	
Total	<u>\$ 8,332,556</u>	<u>\$ 1,664,270</u>	<u>\$ 1,760,033</u>	<u>\$ 8,236,793</u>	<u>\$ 1,838,098</u>

Bonds — The County's bonded debt consists of general obligation bonds that generally are noncallable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The County repays general obligation bonds from voter-approved property taxes. The original amount of general obligation bonds issued in prior years was \$5,415,000.

Bonds outstanding at June 30, 2003, were as follows:

Description	Original Amount	Maturity Ranges	Interest Ranges	Outstanding Principle
Series 1993	\$5,415,000	2004-2006	5.40%-5.60%	\$1,520,000

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2003.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 480,000	\$ 83,650
2005	510,000	57,730
2006	530,000	29,680
Total	<u>\$ 1,520,000</u>	<u>\$ 171,060</u>

Capital leases—The County has acquired equipment and a building under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 3,036,156
Building	310,000
Less: accumulated depreciation	(1,864,486)
Carrying value	<u>\$ 1,481,670</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2003.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2004	\$ 633,094
2005	444,737
2006	352,678
2007	359,036
2008	58,995
2009-2013	<u>90,948</u>
Total minimum lease payments	1,939,488
Less amount representing interest	<u>198,271</u>
Present value of net minimum lease payments	<u>\$ 1,741,217</u>

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

Long-term notes payable—The County has long-term notes payable that consist of agreements for emergency road repairs and the development of air park infrastructure at a total purchase price of \$1,064,215. The future minimum payments required under the contracts at June 30, 2003, including interest varying from 3.11 to 5.20 percent, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2004	\$ 197,142
2005	193,095
2006	189,047
2007	113,921
2008	54,179
2009-2013	<u>135,446</u>
Total minimum payments	882,830
Less amount representing interest	<u>99,304</u>
Present value of net minimum lease payments	<u>\$ 783,526</u>

Landfill closure and postclosure care costs— State and federal laws and regulations require the County to place a final cover on its three landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfill is closed. These costs will be paid from the General Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$2,871,625 reported as landfill closure and postclosure care liability at June 30, 2003, represents the cumulative amount reported to date based on the use of 60 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,338,621 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2003. The County closed one landfill in 1994 and expects to close the remaining two landfills in 2016 and 2058, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Insurance claims—The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

agreement with its participants and administers the program. The County is responsible for paying the premium and may require its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Compensated absences and claims and judgments— Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2003, the County paid for compensated absences as follows: 61 percent from the General Fund, 7 percent from the Road Fund, 7 percent from the Criminal Justice Enhancement Fund, 6 percent from the WIA Fund, and 19 percent from other funds.

NOTE 8 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for risks of loss relating to the ownership of Nogales International Airport, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Other risks of loss are covered by the County's participation in the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described on page 30.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 for each occurrence. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$10 million per occurrence for liability claims. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance triennially. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 9 – RETIREMENT PLANS

Plan Descriptions – The County contributes to the four plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan* (CORP) is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

3300 North Central Avenue
Post Office Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or
(800) 621-3778

PSPRS, CORP, AND EORP

1020 East Missouri Avenue
Phoenix, Arizona 85014
(602) 255-5575

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-Sharing Plans – For the year ended June 30, 2003, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2003, 2002, and 2001 were \$188,934, \$189,558, and \$184,128, respectively, which were equal to the required contributions for the year.

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of court docket fees as a contribution. The County had no required contribution to EORP for the fiscal years ended June 30, 2003 and June 30, 2002, and contributions of \$6,021 for the year ended June 30, 2001, which was equal to the required contributions for the year.

Agent Plans – For the year ended June 30, 2003, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 11.44 percent. Active CORP members were required by statute to contribute 8.5 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 2.00 percent.

Annual Pension Cost – The County's pension cost for the two agent plans for the year ended June 30, 2003, and related information follows:

	PSPRS	CORP
Contribution rates:		
County	11.44%	2%
Plan members	7.65%	8.5%
Annual pension cost	\$141,693	\$7,723
Contributions made	\$141,693	\$7,723

The current-year annual required contributions for both the PSPRS and CORP were determined as part of their June 30, 2001, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2001, was 20 years.

Trend Information – Annual pension cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2003	\$141,693	100.0%	\$0
	2002	177,405	100.0%	0
	2001	181,851	100.0%	0
CORP	2003	\$7,723	100.0%	\$0
	2002	7,572	100.0%	0
	2001	0	N/A	0

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables — Interfund balances at June 30, 2003, were as follows:

Payable from	<u>Payable to</u> General Fund
Criminal Justice	
Enhancement Fund	\$ 609,956
WIA Fund	671,969
Other Governmental Funds	<u>396,996</u>
Total governmental funds	<u><u>\$ 1,678,921</u></u>

The interfund balances resulted from time lags between the dates that interfund goods and services are provided or that reimbursable expenditures occur.

Interfund transfers— Interfund transfers for the year ended June 30, 2003, were as follows:

Transfer from	<u>Transfer to</u>				Total
	General Fund	Road Fund	Criminal Justice Enhancement Fund	Other Governmental Funds	
General Fund			\$ 4,089	\$ 354,022	\$ 358,111
Criminal Justice					
Enhancement Fund	\$ 9,071				9,071
Other Governmental Funds	211,128	\$ 7,500	66,722		<u>285,350</u>
Total governmental funds	<u>\$ 220,199</u>	<u>\$ 7,500</u>	<u>\$ 70,811</u>	<u>\$ 354,022</u>	<u>\$ 652,532</u>

The principal purpose of interfund transfers was to provide grant matches or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 – Condensed Financial Statements of County Treasurer’s Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County monies under his stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The pool's structure does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

Details of each major investment classification follow.

Investment Type	Principal	Interest Rate	Maturities	Fair Value
State Treasurer's Investment Pool	\$14,022,619	No Stated Interest Rate	No Stated Maturity	\$14,022,619
U.S. Government Securities	2,000,000	2.1-4.1%	1/05-12/07	2,004,950

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets:

Assets	\$ 16,570,495
Liabilities	
Net assets	<u>\$ 16,570,495</u>

Net assets held in trust for:

Internal participants	\$ 4,214,685
External participants	<u>12,355,810</u>
Total net assets held in trust	<u>\$ 16,570,495</u>

Statement of Changes in Net Assets:

Total additions	\$ 110,044,123
Total deductions	<u>111,648,355</u>
Net decrease	(1,604,232)
Net assets held in trust:	
July 1, 2002	<u>18,174,727</u>
June 30, 2003	<u>\$ 16,570,495</u>

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**REQUIRED SUPPLEMENTARY
INFORMATION**

SANTA CRUZ COUNTY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF AGENT RETIREMENT PLANS' FUNDING PROGRESS JUNE 30, 2003

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
June 30, 2003	\$ 4,281,102	\$ 5,618,218	\$ (1,337,116)	76.2 %	\$ 1,159,807	115.3 %
June 30, 2002	4,208,233	4,995,933	(787,700)	84.2 %	1,350,664	58.3 %
June 30, 2001	3,942,396	4,128,198	(185,802)	95.5 %	1,324,279	14.0 %

Corrections Officer Retirement Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
June 30, 2003	\$ 1,227,649	\$ 582,221	\$ 645,428	210.9 %	\$ 395,222	N/A
June 30, 2002	1,186,507	556,382	630,125	213.3 %	382,580	N/A
June 30, 2001	1,307,206	577,145	730,061	226.5 %	525,811	N/A

SANTA CRUZ COUNTY

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,939,148	\$ 8,939,148	\$ 9,048,032	\$ 108,884
Intergovernmental	6,320,487	6,320,487	7,639,370	1,318,883
Licenses and permits	400,000	400,000	648,236	248,236
Charges for services	1,721,519	1,721,519	2,155,903	434,384
Fines and forfeits	471,966	471,966	624,710	152,744
Investment income	125,000	125,000	(49,749)	(174,749)
Miscellaneous	10,000	10,000	99,312	89,312
Total revenues	<u>17,988,120</u>	<u>17,988,120</u>	<u>20,165,814</u>	<u>2,177,694</u>
Expenditures:				
General government	9,148,216	9,148,216	7,672,026	1,476,190
Public safety	4,210,588	4,210,588	4,439,110	(228,522)
Health, welfare and sanitation	4,371,115	4,371,115	3,993,720	377,395
Education and economic opportunity	1,380,107	1,380,107	1,086,570	293,537
Recreation	279,743	279,743	150,626	129,117
Total expenditures	<u>19,389,769</u>	<u>19,389,769</u>	<u>17,342,052</u>	<u>2,047,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,401,649)</u>	<u>(1,401,649)</u>	<u>2,823,762</u>	<u>4,225,411</u>
Other financing sources (uses):				
Transfers in	194,727	194,727	220,199	25,472
Transfers out	<u>(687,690)</u>	<u>(687,690)</u>	<u>(358,111)</u>	<u>329,579</u>
Total other financing sources (uses)	<u>(492,963)</u>	<u>(492,963)</u>	<u>(137,912)</u>	<u>355,051</u>
Net change in fund balance	(1,894,612)	(1,894,612)	2,685,850	4,580,462
Fund balance, July 1, 2002, as restated	<u>1,894,612</u>	<u>1,894,612</u>	<u>4,685,285</u>	<u>2,790,673</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 7,371,135</u>	<u>\$ 7,371,135</u>

See accompanying notes to budgetary comparison schedules

SANTA CRUZ COUNTY

BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT

GENERAL FUND

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures:				
General Government:				
Adult Probation	\$ 388,661	\$ 388,661	\$ 325,907	\$ 62,754
Airport	135,830	135,830	118,940	16,890
Assessor	539,746	539,746	494,592	45,154
Board of Supervisors	2,867,700	2,867,700	1,798,707	1,068,993
Clerk of Superior Court	531,856	531,856	501,251	30,605
County Attorney	691,288	691,288	673,278	18,010
Elections	156,789	156,789	105,846	50,943
Grounds and Maintenance	812,297	812,297	880,022	(67,725)
Information Technology	83,054	83,054	117,870	(34,816)
Justice Court	572,054	572,054	583,421	(11,367)
Planning and Zoning	346,831	346,831	304,419	42,412
Public Fiduciary	213,211	213,211	189,353	23,858
Recorder	238,063	238,063	209,433	28,630
Superior Court	1,243,363	1,243,363	1,050,627	192,736
Treasurer	327,473	327,473	318,360	9,113
	<u>9,148,216</u>	<u>9,148,216</u>	<u>7,672,026</u>	<u>1,476,190</u>
Public Safety:				
Constable	40,685	40,685	66,719	(26,034)
Building Codes	240,045	240,045	247,800	(7,755)
Emergency Services	118,054	118,054	133,489	(15,435)
Juvenile Detention	499,270	499,270	456,575	42,695
Security	5,883	5,883	10,823	(4,940)
Sheriff	3,306,651	3,306,651	3,523,704	(217,053)
	<u>4,210,588</u>	<u>4,210,588</u>	<u>4,439,110</u>	<u>(228,522)</u>
Health, Welfare and Sanitation:				
Ambulance Services	570,282	570,282	424,351	145,931
Landfill Reserve	1,417,388	1,417,388	1,228,067	189,321
Long-Term Care Services	1,752,613	1,752,613	1,804,211	(51,598)
Medical Assistance			231	(231)
Medical Indigent	542,832	542,832	528,694	14,138
Mental Health Services	88,000	88,000	8,166	79,834
	<u>4,371,115</u>	<u>4,371,115</u>	<u>3,993,720</u>	<u>377,395</u>

(Continued)

See accompanying notes to budgetary comparison schedules

SANTA CRUZ COUNTY

BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT

GENERAL FUND

YEAR ENDED JUNE 30, 2003

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Education and Economic Opportunity:				
Drug Education	\$ 84,395	\$ 84,395	\$ 67,287	\$ 17,108
School Superintendent	<u>1,295,712</u>	<u>1,295,712</u>	<u>1,019,283</u>	<u>276,429</u>
Total education and economic opportunity	<u>1,380,107</u>	<u>1,380,107</u>	<u>1,086,570</u>	<u>293,537</u>
Recreation	<u>279,743</u>	<u>279,743</u>	<u>150,626</u>	<u>129,117</u>
Total expenditures	<u>\$ 19,389,769</u>	<u>\$ 19,389,769</u>	<u>\$ 17,342,052</u>	<u>\$ 2,047,717</u>

See accompanying notes to budgetary comparison schedules

SANTA CRUZ COUNTY

ROAD FUND BUDGETARY COMPARISON SCHEDULE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,315,430	\$ 3,315,430	\$ 3,326,390	\$ 10,960
Charges for services			16	16
Investment income			(20,441)	(20,441)
Miscellaneous			62,710	62,710
Total revenues	<u>3,315,430</u>	<u>3,315,430</u>	<u>3,368,675</u>	<u>53,245</u>
Expenditures:				
Current:				
Highways and streets – Road	<u>4,628,867</u>	<u>4,628,867</u>	<u>2,914,280</u>	<u>1,714,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,313,437)</u>	<u>(1,313,437)</u>	<u>454,395</u>	<u>1,767,832</u>
Other financing sources:				
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	
Net change in fund balance	<u>(1,305,937)</u>	<u>(1,305,937)</u>	<u>461,895</u>	<u>1,767,832</u>
Fund balance, July 1, 2002, as restated	<u>1,305,937</u>	<u>1,305,937</u>	<u>1,414,080</u>	<u>108,143</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 1,875,975</u>	<u>\$ 1,875,975</u>

See accompanying notes to budgetary comparison schedules

SANTA CRUZ COUNTY

CRIMINAL JUSTICE ENHANCEMENT FUND BUDGETARY COMPARISON SCHEDULE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,366,689	\$ 1,366,689	\$ 1,105,660	\$ (261,029)
Charges for services	23,500	23,500	26,816	3,316
Fines and forfeits	200,000	200,000	197,451	(2,549)
Investment income	123,894	123,894	(7,927)	(131,821)
Contributions	1,000	1,000	100	(900)
Miscellaneous			23,902	23,902
Total revenues	<u>1,715,083</u>	<u>1,715,083</u>	<u>1,346,002</u>	<u>(369,081)</u>
Expenditures:				
Current:				
General government:				
County Attorney	707,898	707,898	538,994	168,904
Superior Court	137,613	137,613		137,613
Probation Department	<u>17,272</u>	<u>17,272</u>		<u>17,272</u>
Total general government	<u>862,783</u>	<u>862,783</u>	<u>538,994</u>	<u>323,789</u>
Public safety:				
County Attorney	14,574	14,574		14,574
Sheriff	1,396,119	1,396,119	1,013,148	382,971
Nogales Police	23,000	23,000	26,932	(3,932)
Metro Task Force	13,000	13,000	40,894	(27,894)
Department of Public Safety	4,000	4,000	4,884	(884)
Other Agencies	<u>1,000</u>	<u>1,000</u>	<u>3,915</u>	<u>(2,915)</u>
Total public safety	<u>1,451,693</u>	<u>1,451,693</u>	<u>1,089,773</u>	<u>361,920</u>
Total expenditures	<u>2,314,476</u>	<u>2,314,476</u>	<u>1,628,767</u>	<u>685,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(599,393)</u>	<u>(599,393)</u>	<u>(282,765)</u>	<u>316,628</u>
Other financing sources (uses):				
Transfers in	224,905	224,905	70,811	(154,094)
Transfers out	<u>(81,722)</u>	<u>(81,722)</u>	<u>(9,071)</u>	<u>72,651</u>
Total other financing sources (uses)	<u>143,183</u>	<u>143,183</u>	<u>61,740</u>	<u>(81,443)</u>
Net change in fund balance	<u>(456,210)</u>	<u>(456,210)</u>	<u>(221,025)</u>	<u>235,185</u>
Fund balance, July 1, 2002, as restated	<u>456,210</u>	<u>456,210</u>	<u>112,144</u>	<u>(344,066)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ (108,881)</u>	<u>\$ (108,881)</u>

See accompanying notes to budgetary comparison schedules

SANTA CRUZ COUNTY

WIA FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,861,863	\$ 1,861,863	\$ 1,668,607	\$ (193,256)
Miscellaneous			4,312	4,312
Total revenues	<u>1,861,863</u>	<u>1,861,863</u>	<u>1,672,919</u>	<u>(188,944)</u>
Expenditures:				
Current:				
Education and Economic Opportunity:				
WIA Youth-In-School	289,019	289,019	535,372	(246,353)
WIA Youth-Out of School	123,722	123,722	332,326	(208,604)
WIA	<u>1,479,120</u>	<u>1,479,120</u>	<u>1,356,068</u>	<u>123,052</u>
Total expenditures	<u>1,891,861</u>	<u>1,891,861</u>	<u>2,223,766</u>	<u>(331,905)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,998)</u>	<u>(29,998)</u>	<u>(550,847)</u>	<u>(520,849)</u>
Fund balance, July 1, 2002, as restated	<u>29,998</u>	<u>29,998</u>	<u>40,931</u>	<u>10,933</u>
Fund balance, June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (509,916)</u>	<u>\$ (509,916)</u>

See accompanying notes to budgetary comparison schedules

SANTA CRUZ COUNTY

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY COMPARISON SCHEDULES JUNE 30, 2003

Note 1 – Budgeting and Budgetary Control

A.R.S. require the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers or appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Encumbrance accounting, under which purchase orders, contracts, and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is not employed by the County during the year. However, the County must encumber amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining encumbered balances lapse.

Note 2 – Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except the present value of net minimum capital lease payments are not budgeted as capital outlay expenditures and other financing sources at the inception of the agreements.

The following schedule reconciles the excess (deficiency) of revenues over (under) expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedules.

	General Fund	Road Fund	Criminal Justice Enhancement Fund
Excess (deficiency) of revenues over (under) expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$2,138,396	\$145,982	\$ (310,659)
Present value of net minimum capital lease payments	<u>685,366</u>	<u>308,413</u>	<u>27,894</u>
Excess (deficiency) of revenues over (under) expenditures from the budgetary comparison schedules	<u>\$2,823,762</u>	<u>\$454,395</u>	<u>\$ (282,765)</u>

SANTA CRUZ COUNTY

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY COMPARISON SCHEDULES JUNE 30, 2003

Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2003, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Grounds and Maintenance	\$ 67,725
Information Technology	34,816
Justice Court	11,367
Constable	26,034
Building Codes	7,755
Emergency Services	15,435
Security	4,940
Sheriff	217,053
Long-Term Care Services	51,598
Medical Assistance	231
Criminal Justice Enhancement Fund:	
Nogales Police Department	3,932
Metro Task Force	27,894
Department of Public Safety	884
Other Agencies	2,915
WIA Fund:	
WIA Youth in School	246,353
WIA Youth out of School	208,604

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

SANTA CRUZ COUNTY

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2003

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
Assets				
Cash and cash equivalents	\$ 2,348,873	\$ 32,120	\$ 339,534	\$ 2,720,527
Property taxes receivable (net of allowance for uncollectible)	186,749		131,577	318,326
Due from other governmental units	450,425	89,458	1,122	541,005
Accounts receivable	4,828			4,828
Prepaid items	385			385
Total assets	<u>\$ 2,991,260</u>	<u>\$ 121,578</u>	<u>\$ 472,233</u>	<u>\$ 3,585,071</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 219,343	\$ 7,050	\$	\$ 226,393
Due to other funds	311,723	85,273		396,996
Deferred revenue	406,944	75,548	77,181	559,673
Accrued payroll and employee benefits	39,938			39,938
Total liabilities	<u>977,948</u>	<u>167,871</u>	<u>77,181</u>	<u>1,223,000</u>
Fund Balances:				
Reserved for:				
Prepaid items	385			385
Debt Service			395,052	395,052
Unreserved	2,012,927	(46,293)		1,966,634
Total fund balances	<u>2,013,312</u>	<u>(46,293)</u>	<u>395,052</u>	<u>2,362,071</u>
Total liabilities and fund balances	<u>\$ 2,991,260</u>	<u>\$ 121,578</u>	<u>\$ 472,233</u>	<u>\$ 3,585,071</u>

SANTA CRUZ COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2003

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
Revenues				
Taxes	\$ 1,286,428		\$ 713,500	\$ 1,999,928
Intergovernmental	2,714,212	\$ 273,105		2,987,317
Charges for services	496,088			496,088
Fines and forfeits	143,032			143,032
Investment income	(26,641)		(8,393)	(35,034)
Rents	30,000			30,000
Contributions	540			540
Miscellaneous	46,451			46,451
Total revenues	<u>4,690,110</u>	<u>273,105</u>	<u>705,107</u>	<u>5,668,322</u>
Expenditures				
Current:				
General government	1,657,553			1,657,553
Public safety	217,916			217,916
Highways and streets	737,337			737,337
Health, welfare and sanitation	952,888			952,888
Education and economic opportunity	726,847			726,847
Capital outlay		76,926		76,926
Debt Service:				
Principal retirement			455,000	455,000
Interest and fiscal charges			107,631	107,631
Total expenditures	<u>4,292,541</u>	<u>76,926</u>	<u>562,631</u>	<u>4,932,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>397,569</u>	<u>196,179</u>	<u>142,476</u>	<u>736,224</u>
Other financing sources (uses):				
Transfers in	347,782	6,240		354,022
Transfers out	(285,138)	(212)		(285,350)
Total other financing sources (uses)	<u>62,644</u>	<u>6,028</u>		<u>68,672</u>
Net change in fund balances	460,213	202,207	142,476	804,896
Fund balances, July 1, 2002, as restated	<u>1,553,099</u>	<u>(248,500)</u>	<u>252,576</u>	<u>1,557,175</u>
Fund balances, June 30, 2003	<u>\$ 2,013,312</u>	<u>\$ (46,293)</u>	<u>\$ 395,052</u>	<u>\$ 2,362,071</u>

SANTA CRUZ COUNTY

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS JUNE 30, 2003

Assets	Animal Control	Probation Services	Health Services	Flood
Cash and cash equivalents	\$ 1,414	\$ 311,958	\$ 145,715	\$ 1,088,882
Property taxes receivable (net of allowance for uncollectible)				186,749
Due from other governmental units	42,775	16,656	136,082	7,393
Accounts receivable	105		219	
Prepaid items				
Total assets	\$ 44,294	\$ 328,614	\$ 282,016	\$ 1,283,024
 Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 19,284	\$ 16,025	\$ 30,679	\$ 41,023
Due to other funds		16,407	105,534	6,332
Deferred revenue		16,407	105,534	144,605
Accrued payroll and employee benefits	7,262	9,200	3,987	3,714
Total liabilities	26,546	58,039	245,734	195,674
Fund balances:				
Reserved for prepaid items				
Unreserved	17,748	270,575	36,282	1,087,350
Total fund balances	17,748	270,575	36,282	1,087,350
Total liabilities and fund balances	\$ 44,294	\$ 328,614	\$ 282,016	\$ 1,283,024

<u>Juvenile Services</u>	<u>Jail Enhancement</u>	<u>Retrieval Conversion</u>	<u>Other</u>	<u>Total</u>
\$ 199,479	\$ 90,582	\$ 333,005	\$ 177,838	\$ 2,348,873
				186,749
141,370	30,598		75,551	450,425
	100	4,404		4,828
		385		385
<u>\$ 340,849</u>	<u>\$ 121,280</u>	<u>\$ 337,794</u>	<u>\$ 253,389</u>	<u>\$ 2,991,260</u>
\$ 59,579	\$ 1,506	\$ 12,141	\$ 39,106	\$ 219,343
134,911			48,539	311,723
134,911			5,487	406,944
12,570	978	300	1,927	39,938
<u>341,971</u>	<u>2,484</u>	<u>12,441</u>	<u>95,059</u>	<u>977,948</u>
		385		385
(1,122)	118,796	324,968	158,330	2,012,927
<u>(1,122)</u>	<u>118,796</u>	<u>325,353</u>	<u>158,330</u>	<u>2,013,312</u>
<u>\$ 340,849</u>	<u>\$ 121,280</u>	<u>\$ 337,794</u>	<u>\$ 253,389</u>	<u>\$ 2,991,260</u>

SANTA CRUZ COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2003

Revenues:	Animal Control	Probation Services	Health Services	Flood
Taxes				\$ 1,199,119
Intergovernmental	\$ 191,417	\$ 687,371	\$ 101,664	241,033
Charges for services	22,838	79,246	161,480	
Fines and forfeits				
Investment income	(76)	(4,656)	690	(10,079)
Rents				
Contributions			540	
Miscellaneous		4,976	8,000	
Total revenues	<u>214,179</u>	<u>766,937</u>	<u>272,374</u>	<u>1,430,073</u>
Expenditures:				
Current:				
General government		713,643		
Public safety				
Highways and streets				737,337
Health, welfare and sanitation	339,763		488,288	
Education and economic opportunity				
Total expenditures	<u>339,763</u>	<u>713,643</u>	<u>488,288</u>	<u>737,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,584)</u>	<u>53,294</u>	<u>(215,914)</u>	<u>692,736</u>
Other financing sources (uses):				
Transfers in	114,602	6,027	170,660	
Transfers out			(16,190)	(194,727)
Total other financing sources (uses)	<u>114,602</u>	<u>6,027</u>	<u>154,470</u>	<u>(194,727)</u>
Net change in fund balances	(10,982)	59,321	(61,444)	498,009
Fund balances, July 1, 2002, as restated	<u>28,730</u>	<u>211,254</u>	<u>97,726</u>	<u>589,341</u>
Fund balances, June 30, 2003	<u>\$ 17,748</u>	<u>\$ 270,575</u>	<u>\$ 36,282</u>	<u>\$ 1,087,350</u>

Juvenile Services	Jail Enhancement	Retrieval Conversion	Other	Total
\$ 71,086	\$ 16,223			\$ 1,286,428
1,006,576	171,148	\$ 24,600	\$ 290,403	2,714,212
24,549		78,188	129,787	496,088
		142,932	100	143,032
(4,203)	(191)	(6,101)	(2,025)	(26,641)
			30,000	30,000
				540
451	22,726		10,298	46,451
<u>1,098,459</u>	<u>209,906</u>	<u>239,619</u>	<u>458,563</u>	<u>4,690,110</u>
721,389		136,132	86,389	1,657,553
	157,561		60,355	217,916
				737,337
			124,837	952,888
539,433	18,825		168,589	726,847
<u>1,260,822</u>	<u>176,386</u>	<u>136,132</u>	<u>440,170</u>	<u>4,292,541</u>
(162,363)	33,520	103,487	18,393	397,569
52,723			3,770	347,782
	(2,254)	(64,467)	(7,500)	(285,138)
<u>52,723</u>	<u>(2,254)</u>	<u>(64,467)</u>	<u>(3,730)</u>	<u>62,644</u>
(109,640)	31,266	39,020	14,663	460,213
108,518	87,530	286,333	143,667	1,553,099
<u>\$ (1,122)</u>	<u>\$ 118,796</u>	<u>\$ 325,353</u>	<u>\$ 158,330</u>	<u>\$ 2,013,312</u>

SANTA CRUZ COUNTY

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECTS FUNDS JUNE 30, 2003

Assets	CDBG Projects	Airport Runway Widening	Airport Hangar Construction	Total
Cash and cash equivalents		\$ 32,120		\$ 32,120
Due from other governmental units	\$ 18,682	70,776		89,458
Total assets	\$ 18,682	\$ 102,896	\$ -	\$ 121,578
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 3,160	\$ 3,890		\$ 7,050
Due to other funds	18,682	66,591		85,273
Deferred revenue	16,157	59,391		75,548
Total liabilities	37,999	129,872		167,871
Fund balances:				
Unreserved	(19,317)	(26,976)		(46,293)
Total liabilities and fund balance	\$ 18,682	\$ 102,896	\$ -	\$ 121,578

SANTA CRUZ COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2003

	CDBG Projects	Airport Runway Widening	Airport Hangar Construction	Total
Revenues:				
Intergovernmental	\$ 2,738	\$ 270,367		\$ 273,105
Expenditures:				
Capital outlay	20,503	55,343	\$ 1,080	76,926
Excess (deficiency) of revenues over (under) expenditures	(17,765)	215,024	(1,080)	196,179
Other financing sources (uses):				
Transfers in			6,240	6,240
Transfers out	(212)			(212)
Total other financing sources (uses)	(212)		6,240	6,028
Net change in fund balances	(17,977)	215,024	5,160	202,207
Fund balances, July 1, 2002	(1,340)	(242,000)	(5,160)	(248,500)
Fund balances, June 30, 2003	\$ (19,317)	\$ (26,976)	\$	\$ (46,293)

SANTA CRUZ COUNTY

COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUND JUNE 30, 2003

Assets	Debt Service
Cash and cash equivalents	\$ 339,534
Property taxes receivable (net of allowance for uncollectible)	131,577
Due from other governmental units	<u>1,122</u>
Total assets	<u><u>\$ 472,233</u></u>
 Liabilities and fund balance	
Liabilities:	
Deferred revenue	\$ 77,181
Fund balance:	
Reserved for debt service	<u>395,052</u>
Total liabilities and fund balance	<u><u>\$ 472,233</u></u>

SANTA CRUZ COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUND YEAR ENDED JUNE 30, 2003

	Debt Service
Revenues:	
Taxes	\$ 713,500
Investment income	(8,393)
Total revenues	<u>705,107</u>
Expenditures:	
Debt Service:	
Principal retirement	455,000
Interest and fiscal charges	107,631
Total expenditures	<u>562,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>142,476</u>
Fund balances, July 1, 2002	<u>252,576</u>
Fund balances, June 30, 2003	<u>\$ 395,052</u>

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL**

NONMAJOR SPECIAL REVENUE FUNDS

SANTA CRUZ COUNTY

ANIMAL CONTROL – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 190,000	\$ 190,000	\$ 191,417	\$ 1,417
Charges for services	18,000	18,000	22,838	4,838
Investment income			(76)	(76)
Total revenues	<u>208,000</u>	<u>208,000</u>	<u>214,179</u>	<u>6,179</u>
Expenditures:				
Current:				
Health, welfare and sanitation – Animal Control	<u>290,537</u>	<u>290,537</u>	<u>339,763</u>	<u>(49,226)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(82,537)</u>	<u>(82,537)</u>	<u>(125,584)</u>	<u>(43,047)</u>
Other financing sources (uses):				
Transfers in	<u>79,166</u>	<u>79,166</u>	<u>114,602</u>	<u>35,436</u>
Net change in fund balance	<u>(3,371)</u>	<u>(3,371)</u>	<u>(10,982)</u>	<u>(7,611)</u>
Fund balance, July 1, 2002, as restated	<u>3,371</u>	<u>3,371</u>	<u>28,730</u>	<u>25,359</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 17,748</u>	<u>\$ 17,748</u>

SANTA CRUZ COUNTY

PROBATION SERVICES – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 757,299	\$ 757,299	\$ 687,371	\$ (69,928)
Charges for services	100,000	100,000	79,246	(20,754)
Investment income			(4,656)	(4,656)
Miscellaneous			4,976	4,976
Total revenues	<u>857,299</u>	<u>857,299</u>	<u>766,937</u>	<u>(90,362)</u>
Expenditures:				
Current:				
General government:				
Probation	1,090,072	1,090,072	713,504	376,568
Juvenile Detention			139	(139)
Total expenditures	<u>1,090,072</u>	<u>1,090,072</u>	<u>713,643</u>	<u>376,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232,773)</u>	<u>(232,773)</u>	<u>53,294</u>	<u>286,067</u>
Other financing sources (uses):				
Transfers in	<u>2,684</u>	<u>2,684</u>	<u>6,027</u>	<u>3,343</u>
Net change in fund balance	<u>(230,089)</u>	<u>(230,089)</u>	<u>59,321</u>	<u>289,410</u>
Fund balance, July 1, 2002, as restated	<u>230,089</u>	<u>230,089</u>	<u>211,254</u>	<u>(18,835)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 270,575</u>	<u>\$ 270,575</u>

SANTA CRUZ COUNTY

HEALTH SERVICES – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 172,804	\$ 172,804	\$ 101,664	\$ (71,140)
Charges for services	100,000	100,000	161,480	61,480
Investment income			690	690
Contributions			540	540
Miscellaneous			8,000	8,000
Total revenues	<u>272,804</u>	<u>272,804</u>	<u>272,374</u>	<u>(430)</u>
Expenditures:				
Current:				
Health, welfare and sanitation:				
Environmental Health	429,313	429,313	356,526	72,787
Sexually Transmitted Diseases Program	5,000	5,000	880	4,120
Nutrition	12,750	12,750	12,750	
Women, Infants, and Children	25,807	25,807	25,807	
Immunization	27,816	27,816	27,816	
Tuberculosis	125,158	125,158	51,405	73,753
Human Immunodeficiency Virus (HIV) Testing	<u>37,827</u>	<u>37,827</u>	<u>13,104</u>	<u>24,723</u>
Total expenditures	<u>663,671</u>	<u>663,671</u>	<u>488,288</u>	<u>175,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(390,867)</u>	<u>(390,867)</u>	<u>(215,914)</u>	<u>174,953</u>
Other financing sources (uses):				
Transfers in	294,768	294,768	170,660	(124,108)
Transfers out			(16,190)	(16,190)
Total other financing sources (uses)	<u>294,768</u>	<u>294,768</u>	<u>154,470</u>	<u>(140,298)</u>
Net change in fund balance	<u>(96,099)</u>	<u>(96,099)</u>	<u>(61,444)</u>	<u>34,655</u>
Fund balance, July 1, 2002, as restated	<u>96,099</u>	<u>96,099</u>	<u>97,726</u>	<u>1,627</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 36,282</u>	<u>\$ 36,282</u>

SANTA CRUZ COUNTY

FLOOD – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,230,454	\$ 1,230,454	\$ 1,199,119	\$ (31,335)
Intergovernmental	176,138	176,138	241,033	64,895
Investment income			(10,079)	(10,079)
Total revenues	<u>1,406,592</u>	<u>1,406,592</u>	<u>1,430,073</u>	<u>23,481</u>
Expenditures:				
Current:				
Highways and streets:				
Avenida Cherokee			85	(85)
Avenida Navidad	22,391	22,391	22,236	155
Avenida Beatriz			15,514	(15,514)
Calle Toruno	56,916	56,916	14,798	42,118
Flood District	<u>1,467,600</u>	<u>1,467,600</u>	<u>684,704</u>	<u>782,896</u>
Total expenditures	<u>1,546,907</u>	<u>1,546,907</u>	<u>737,337</u>	<u>809,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,315)</u>	<u>(140,315)</u>	<u>692,736</u>	<u>833,051</u>
Other financing sources (uses):				
Transfers out	<u>(194,727)</u>	<u>(194,727)</u>	<u>(194,727)</u>	
Net change in fund balance	<u>(335,042)</u>	<u>(335,042)</u>	<u>498,009</u>	<u>833,051</u>
Fund balance, July 1, 2002, as restated	<u>335,042</u>	<u>335,042</u>	<u>589,341</u>	<u>254,299</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 1,087,350</u>	<u>\$ 1,087,350</u>

SANTA CRUZ COUNTY

JUVENILE SERVICES – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 69,589	\$ 69,589	\$ 71,086	\$ 1,497
Intergovernmental	1,040,569	1,040,569	1,006,576	(33,993)
Charges for services	15,000	15,000	24,549	9,549
Investment income			(4,203)	(4,203)
Miscellaneous			451	451
Total revenues	<u>1,125,158</u>	<u>1,125,158</u>	<u>1,098,459</u>	<u>(26,699)</u>
Expenditures:				
Current:				
General government:				
Superior Court	48,979	48,979	60,495	(11,516)
Probation	<u>785,720</u>	<u>785,720</u>	<u>660,894</u>	<u>124,826</u>
Total general government	<u>834,699</u>	<u>834,699</u>	<u>721,389</u>	<u>113,310</u>
Education and economic opportunity - School Superintendent	<u>441,397</u>	<u>441,397</u>	<u>539,433</u>	<u>(98,036)</u>
Total expenditures	<u>1,276,096</u>	<u>1,276,096</u>	<u>1,260,822</u>	<u>15,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,938)</u>	<u>(150,938)</u>	<u>(162,363)</u>	<u>(11,425)</u>
Other financing sources (uses):				
Transfers in			<u>52,723</u>	<u>52,723</u>
Net change in fund balance	<u>(150,938)</u>	<u>(150,938)</u>	<u>(109,640)</u>	<u>41,298</u>
Fund balance, July 1, 2002, as restated	<u>150,938</u>	<u>150,938</u>	<u>108,518</u>	<u>(42,420)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ (1,122)</u>	<u>\$ (1,122)</u>

SANTA CRUZ COUNTY

JAIL ENHANCEMENT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 15,684	\$ 15,684	\$ 16,223	\$ 539
Intergovernmental	120,000	120,000	171,148	51,148
Charges for services	1,500	1,500		(1,500)
Investment income			(191)	(191)
Miscellaneous	35,000	35,000	22,726	(12,274)
Total revenues	172,184	172,184	209,906	37,722
Expenditures:				
Current:				
Public safety - Sheriff	195,271	195,271	157,561	37,710
Education and economic opportunity - School Superintendent	60,084	60,084	18,825	41,259
Total expenditures	255,355	255,355	176,386	78,969
Excess (deficiency) of revenues over (under) expenditures	(83,171)	(83,171)	33,520	116,691
Other financing sources (uses):				
Transfers out			(2,254)	(2,254)
Net change in fund balance	(83,171)	(83,171)	31,266	114,437
Fund balance, July 1, 2002, as restated	83,171	83,171	87,530	4,359
Fund balance, June 30, 2003	\$	\$	\$ 118,796	\$ 118,796

SANTA CRUZ COUNTY

RETRIEVAL CONVERSION – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 24,600	\$ 24,600	\$ 24,600	\$
Charges for services	64,800	64,800	78,188	13,388
Fines and forfeits	106,000	106,000	142,932	36,932
Investment income			(6,101)	(6,101)
Total revenues	<u>195,400</u>	<u>195,400</u>	<u>239,619</u>	<u>44,219</u>
Expenditures:				
Current:				
General government:				
Assessor	69,744	69,744	38,910	30,834
Justice Court #1	96,191	96,191	18,373	77,818
Justice Court #2	12,512	12,512	8,748	3,764
Superior Court	143,662	143,662	30,437	113,225
Clerk of Superior Court	68,238	68,238	5,116	63,122
Recorder	<u>123,512</u>	<u>123,512</u>	<u>34,548</u>	<u>88,964</u>
Total expenditures	<u>513,859</u>	<u>513,859</u>	<u>136,132</u>	<u>377,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(318,459)</u>	<u>(318,459)</u>	<u>103,487</u>	<u>421,946</u>
Other financing sources (uses):				
Transfers out	<u>(46,770)</u>	<u>(46,770)</u>	<u>(64,467)</u>	<u>(17,697)</u>
Net change in fund balance	<u>(365,229)</u>	<u>(365,229)</u>	<u>39,020</u>	<u>404,249</u>
Fund balance, July 1, 2002, as restated	<u>365,229</u>	<u>365,229</u>	<u>286,333</u>	<u>(78,896)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 325,353</u>	<u>\$ 325,353</u>

SANTA CRUZ COUNTY

CHILD SUPPORT AND VISITATION – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 1,200	\$ 1,200	\$ 1,780	\$ 580
Investment income			(630)	(630)
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>1,150</u>	<u>(50)</u>
Expenditures:				
Current:				
General government – Superior Court	<u>33,124</u>	<u>33,124</u>		<u>33,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,924)</u>	<u>(31,924)</u>	<u>1,150</u>	<u>33,074</u>
Fund balance, July 1, 2002	<u>31,924</u>	<u>31,924</u>	<u>31,925</u>	<u>1</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 33,075</u>	<u>\$ 33,075</u>

SANTA CRUZ COUNTY

COMMODITY FLOW STUDY – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 12,350	\$ 12,350	\$ 13,010	\$ 660
Expenditures:				
Current:				
Public Safety – Emergency Services	19,700	19,700	25,360	(5,660)
Excess (deficiency) of revenues over (under) expenditures	(7,350)	(7,350)	(12,350)	(5,000)
Fund balance, July 1, 2002	7,350	7,350	7,350	
Fund balance, June 30, 2003	\$	\$	\$ (5,000)	\$ (5,000)

SANTA CRUZ COUNTY

TAXPAYERS' INFORMATION – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 4,000	\$ 4,000	\$ 6,617	\$ 2,617
Investment income			(46)	(46)
Fines and forfeits			100	100
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>6,671</u>	<u>2,671</u>
Expenditures:				
Current:				
General government – Treasurer	<u>6,167</u>	<u>6,167</u>	<u>1,526</u>	<u>4,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,167)</u>	<u>(2,167)</u>	<u>5,145</u>	<u>7,312</u>
Fund balance, July 1, 2002	<u>2,167</u>	<u>2,167</u>	<u>2,188</u>	<u>21</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 7,333</u>	<u>\$ 7,333</u>

SANTA CRUZ COUNTY

EMERGENCY PLANNING GRANT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ _____	\$ _____	\$ 13,131	\$ 13,131
Expenditures:				
Current:				
Public Safety – Emergency Services	_____	_____	9,772	(9,772)
Excess (deficiency) of revenues over (under) expenditures	_____	_____	3,359	3,359
Fund balance, July 1, 2002	_____	_____	_____	_____
Fund balance, June 30, 2003	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 3,359</u>	<u>\$ 3,359</u>

SANTA CRUZ COUNTY

LOCAL EMERGENCY PLAN COMMITTEE '02 – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,425	\$ 4,425	\$ 12,662	\$ 8,237
Expenditures:				
Current:				
Public safety – Emergency Services	13,851	13,851	14,818	(967)
Excess (deficiency) of revenues over (under) expenditures	(9,426)	(9,426)	(2,156)	7,270
Fund balance, July 1, 2002	9,426	9,426	9,427	1
Fund balance, June 30, 2003	\$	\$	\$ 7,271	\$ 7,271

This fund was titled Local Emergency Plan Committee '99 in the June 30, 2002 CAFR.

SANTA CRUZ COUNTY

EXERCISES – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ _____	\$ _____	\$ 7,248	\$ 7,248
Expenditures:				
Current:				
Public safety – Emergency Services	_____	_____	7,897	(7,897)
Excess (deficiency) of revenues over (under) expenditures	_____	_____	(649)	(649)
Fund balance, July 1, 2002	_____	_____	_____	_____
Fund balance, June 30, 2003	\$ _____	\$ _____	\$ (649)	\$ (649)

SANTA CRUZ COUNTY

DOMESTIC PREP HAZARDOUS MATERIAL TRAINING – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment income	\$ _____	\$ _____	\$ (18)	\$ (18)
Expenditures:				
Current:				
Public safety – Emergency Services	_____ 2,415	_____ 2,415	_____ 2,330	_____ 85
Excess (deficiency) of revenues over (under) expenditures	_____ (2,415)	_____ (2,415)	_____ (2,348)	_____ 67
Other financing sources (uses):				
Transfers in	_____	_____	_____ 1,441	_____ 1,441
Net change in fund balance	_____ (2,415)	_____ (2,415)	_____ (907)	_____ 1,508
Fund balance, July 1, 2002	_____ 2,415	_____ 2,415	_____ 1,485	_____ (930)
Fund balance, June 30, 2003	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 578</u>	<u>\$ 578</u>

SANTA CRUZ COUNTY

CASE MANAGEMENT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 78,590	\$ 78,590	\$ 81,570	\$ 2,980
Investment income			(1,229)	(1,229)
Miscellaneous			10,098	10,098
Total revenues	<u>78,590</u>	<u>78,590</u>	<u>90,439</u>	<u>11,849</u>
Expenditures:				
Current:				
Health, welfare and sanitation – Medical Assistance	<u>114,927</u>	<u>114,927</u>	<u>60,675</u>	<u>54,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,337)</u>	<u>(36,337)</u>	<u>29,764</u>	<u>66,101</u>
Fund balance, July 1, 2002, as restated	<u>36,337</u>	<u>36,337</u>	<u>46,238</u>	<u>9,901</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 76,002</u>	<u>\$ 76,002</u>

SANTA CRUZ COUNTY

SCHOOL FOREST FEES – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 79,014	\$ 79,014	\$ 79,646	\$ 632
Investment income			553	553
Total revenues	<u>79,014</u>	<u>79,014</u>	<u>80,199</u>	<u>1,185</u>
Expenditures:				
Current:				
Education and economic opportunity – School Superintendent	<u>120,111</u>	<u>120,111</u>	<u>62,128</u>	<u>57,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,097)</u>	<u>(41,097)</u>	<u>18,071</u>	<u>59,168</u>
Other financing sources (uses):				
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	
Net change in fund balance	<u>(48,597)</u>	<u>(48,597)</u>	<u>10,571</u>	<u>59,168</u>
Fund balance, July 1, 2002	<u>48,597</u>	<u>48,597</u>	<u>40,303</u>	<u>(8,294)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 50,874</u>	<u>\$ 50,874</u>

SANTA CRUZ COUNTY

LAW LIBRARY – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 30,000	\$ 30,000	\$ 16,892	\$ (13,108)
Investment income			(38)	(38)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>16,854</u>	<u>(13,146)</u>
Expenditures:				
Current:				
General Government – Superior Court	<u>30,895</u>	<u>30,895</u>	<u>20,344</u>	<u>10,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(895)</u>	<u>(895)</u>	<u>(3,490)</u>	<u>(2,595)</u>
Fund balance, July 1, 2002	<u>895</u>	<u>895</u>	<u>183</u>	<u>(712)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ (3,307)</u>	<u>\$ (3,307)</u>

SANTA CRUZ COUNTY

OLD COURTHOUSE – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 91,675	\$ 91,675	\$ 10,642	\$ (81,033)
Investment income			(179)	(179)
Rents	30,000	30,000	30,000	
Miscellaneous			200	200
Total revenues	<u>121,675</u>	<u>121,675</u>	<u>40,663</u>	<u>(81,012)</u>
Expenditures:				
Current:				
General government – Old Courthouse	<u>213,350</u>	<u>213,350</u>	<u>64,519</u>	<u>148,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,675)</u>	<u>(91,675)</u>	<u>(23,856)</u>	<u>67,819</u>
Other financing sources (uses):				
Transfers in	<u>91,675</u>	<u>91,675</u>	<u>329</u>	<u>(91,346)</u>
Net change in fund balance			<u>(23,527)</u>	<u>(23,527)</u>
Fund balance, July 1, 2002			<u>7,638</u>	<u>7,638</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ (15,889)</u>	<u>\$ (15,889)</u>

SANTA CRUZ COUNTY

WASTE TIRE GRANT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 62,000	\$ 62,000	\$ 65,875	\$ 3,875
Charges for services	1,750	1,750		(1,750)
Investment income			(438)	(438)
Total revenues	<u>63,750</u>	<u>63,750</u>	<u>65,437</u>	<u>1,687</u>
Expenditures:				
Current:				
Health, welfare and sanitation – Rio Rico Landfill	<u>63,750</u>	<u>63,750</u>	<u>64,162</u>	<u>(412)</u>
Excess (deficiency) of revenues over (under) expenditures			<u>1,275</u>	<u>1,275</u>
Other financing sources (uses):				
Transfers in			<u>2,000</u>	<u>2,000</u>
Net change in fund balance			<u>3,275</u>	<u>3,275</u>
Fund balance, July 1, 2002, as restated			<u>(4,182)</u>	<u>(4,182)</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ (907)</u>	<u>\$ (907)</u>

SANTA CRUZ COUNTY

LITERACY COORDINATOR – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 59,815	\$ 59,815	\$ 104,498	\$ 44,683
Expenditures:				
Current:				
Education and economic opportunity – School Superintendent	59,815	59,815	106,461	(46,646)
Excess (deficiency) of revenues over (under) expenditures			(1,963)	(1,963)
Fund balance, July 1, 2002, as restated			1,112	1,112
Fund balance, June 30, 2003	\$	\$	\$ (851)	\$ (851)

SANTA CRUZ COUNTY

CITIZEN CORPS CERTIFICATION GRANT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ _____	\$ _____	\$ 6,619	\$ 6,619
Expenditures:				
Current:				
Public Safety – Emergency Services	_____	_____	178	(178)
Excess (deficiency) of revenues over (under) expenditures	_____	_____	6,441	6,441
Fund balance, July 1, 2002	_____	_____	_____	_____
Fund balance, June 30, 2003	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 6,441</u>	<u>\$ 6,441</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL**

NONMAJOR CAPITAL PROJECTS FUNDS

SANTA CRUZ COUNTY

COMMUNITY DEVELOPMENT BLOCK GRANT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 495,508	\$ 495,508	\$ 2,738	\$ (492,770)
Expenditures:				
Current:				
Capital outlay	495,508	495,508	20,503	475,005
Excess (deficiency) of revenues over (under) expenditures			(17,765)	(17,765)
Other financing sources (uses):				
Transfers out			(212)	(212)
Net change in fund balance			(17,977)	(17,977)
Fund balance, July 1, 2002			(1,340)	(1,340)
Fund balance, June 30, 2003	\$	\$	\$ (19,317)	\$ (19,317)

SANTA CRUZ COUNTY

AIRPORT RUNWAY WIDENING – STATEMENT OF REVENUES, EXPENDITURES AND EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 961,963	\$ 961,963	\$ 270,367	\$ (691,596)
Expenditures:				
Current:				
Capital outlay	1,035,053	1,035,053	55,343	979,710
Excess (deficiency) of revenues over (under) expenditures	(73,090)	(73,090)	215,024	288,114
Other financing sources (uses):				
Transfers in	73,090	73,090		(73,090)
Net change in fund balance			215,024	215,024
Fund balance, July 1, 2002			(242,000)	(242,000)
Fund balance, June 30, 2003	\$	\$	\$ (26,976)	\$ (26,976)

SANTA CRUZ COUNTY

AIRPORT HANGAR CONSTRUCTION – STATEMENT OF REVENUES, EXPENDITURES, AND EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 811,134	\$ 811,134	\$ _____	\$ (811,134)
Expenditures:				
Current:				
Capital outlay	849,088	849,088	1,080	848,008
Excess (deficiency) of revenues over (under) expenditures	(37,954)	(37,954)	(1,080)	36,874
Other financing sources (uses):				
Transfers in	37,954	37,954	6,240	(31,714)
Net change in fund balance	_____	_____	5,160	5,160
Fund balance, July 1, 2002	_____	_____	(5,160)	(5,160)
Fund balance, June 30, 2003	\$ _____	\$ _____	\$ _____	\$ _____

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL**

NONMAJOR DEBT SERVICE FUND

SANTA CRUZ COUNTY

DEBT SERVICE – STATEMENT OF REVENUES, EXPENDITURES, AND EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 732,668	\$ 732,668	\$ 713,500	\$ (19,168)
Investment income			(8,393)	(8,393)
Total revenues	<u>732,668</u>	<u>732,668</u>	<u>705,107</u>	<u>(27,561)</u>
Expenditures:				
Debt Service:				
Principal retirement	455,000	455,000	455,000	
Interest and fiscal charges	<u>510,643</u>	<u>510,643</u>	<u>107,631</u>	<u>403,012</u>
Total expenditures	<u>965,643</u>	<u>965,643</u>	<u>562,631</u>	<u>403,012</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232,975)</u>	<u>(232,975)</u>	<u>142,476</u>	<u>375,451</u>
Fund balance, July 1, 2002	<u>232,975</u>	<u>232,975</u>	<u>252,576</u>	<u>19,601</u>
Fund balance, June 30, 2003	<u>\$</u>	<u>\$</u>	<u>\$ 395,052</u>	<u>\$ 395,052</u>

INVESTMENT TRUST AND AGENCY FUNDS

SANTA CRUZ COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS INVESTMENT TRUST FUNDS June 30, 2003

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Assets			
Cash and cash equivalents	\$ 12,335,456	\$ 189,568	\$ 12,525,024
Accrued interest receivable	20,354		20,354
Total assets	<u>\$ 12,355,810</u>	<u>\$ 189,568</u>	<u>\$ 12,545,378</u>
Net Assets			
Held in trust for investment participants	<u>\$ 12,355,810</u>	<u>\$ 189,568</u>	<u>\$ 12,545,378</u>

SANTA CRUZ COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS June 30, 2003

	<u>Property Tax Collection</u>	<u>Fire District</u>	<u>Special Purpose</u>	<u>Total</u>
Assets				
Cash and cash equivalents	<u>\$ 726,733</u>	<u>\$ 76,369</u>	<u>\$ 653,321</u>	<u>\$ 1,456,423</u>
Liabilities				
Due to other governmental units	\$ 522,926	\$ 76,369		\$ 599,295
Deposits held for others	<u>203,807</u>		<u>\$ 653,321</u>	<u>857,128</u>
Total liabilities	<u>\$ 726,733</u>	<u>\$ 76,369</u>	<u>\$ 653,321</u>	<u>\$ 1,456,423</u>

SANTA CRUZ COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS INVESTMENT TRUST FUNDS YEAR ENDED JUNE 30, 2003

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Additions			
Contributions by participants	\$ 85,612,190		\$ 85,612,190
Interest on investments	(164,557)	\$ 5,994	(158,563)
Total additions	<u>85,447,633</u>	<u>5,994</u>	<u>85,453,627</u>
Deductions			
Distributions to participants	<u>88,356,026</u>	<u>152,911</u>	<u>88,508,937</u>
Change in net assets	(2,908,393)	(146,917)	(3,055,310)
Net assets - July 1, 2002	<u>15,264,203</u>	<u>336,485</u>	<u>15,600,688</u>
Net assets - June 30, 2003	<u>\$ 12,355,810</u>	<u>\$ 189,568</u>	<u>\$ 12,545,378</u>

SANTA CRUZ COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS YEAR ENDED JUNE 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Property Tax Collection:				
Assets				
Cash and cash equivalents	\$ 631,765	\$ 1,873,866	\$ 1,778,898	\$ 726,733
Liabilities				
Due to other governmental units	\$ 125,028	\$ 1,873,866	\$ 1,475,968	\$ 522,926
Deposits held for others	506,737		302,930	203,807
Total liabilities	\$ 631,765	\$ 1,873,866	\$ 1,778,898	\$ 726,733
Fire District:				
Assets				
Cash and cash equivalents		\$ 151,181	\$ 74,812	\$ 76,369
Liabilities				
Due to other governmental units		\$ 151,181	\$ 74,812	\$ 76,369
Special Purpose:				
Assets				
Cash and cash equivalents	\$ 1,022,855		\$ 369,534	\$ 653,321
Liabilities				
Deposits held for others	\$ 1,022,855		\$ 369,534	\$ 653,321
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 1,654,620	\$ 2,025,047	\$ 2,223,244	\$ 1,456,423
Liabilities				
Due to other governmental units	\$ 125,028	\$ 2,025,047	\$ 1,550,780	\$ 599,295
Deposits held for others	1,529,592		672,464	857,128
Total Liabilities	\$ 1,654,620	\$ 2,025,047	\$ 2,223,244	\$ 1,456,423

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CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS

SANTA CRUZ COUNTY

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE BY SOURCE JUNE 30, 2003 and 2002

	<u>2003</u>	<u>2002,</u> <u>as restated</u>
Governmental funds capital assets:		
Land	\$ 5,933,291	\$ 5,826,469
Buildings	10,454,910	10,093,488
Improvements other than buildings	4,342,346	4,244,492
Construction equipment and vehicles	7,336,661	6,255,259
Furniture and equipment	2,114,092	1,752,363
Construction in progress	319,186	673,316
Total governmental funds capital assets	<u>\$ 30,500,486</u>	<u>\$ 28,845,387</u>
 Investments in governmental funds capital assets by source:		
General Fund	\$ 13,150,076	\$ 12,394,132
Special Revenue Funds	6,145,023	5,322,694
Capital Projects Funds	11,205,487	11,128,561
Total governmental funds capital assets	<u>\$ 30,500,586</u>	<u>\$ 28,845,387</u>

SANTA CRUZ COUNTY

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY JUNE 30, 2003

Function and Activity	Land	Building	Improvements other than Buildings	Construction Equipment and Vehicles	Furniture and Equipment	Construction in Progress	Total
General government	\$ 3,809,821	\$ 7,930,135	\$ 1,977,715	\$ 554,377	\$ 1,161,945	\$ 303,029	\$ 15,737,022
Public safety		1,819,253		1,436,152	761,073		4,016,478
Highways and streets	74,734	224,954	451,860	4,070,506	64,900	16,157	4,903,111
Health, welfare and sanitation	229,996	394,216	1,912,771	1,179,584	52,431		3,768,998
Recreation	1,818,840	86,352		7,660	8,453		1,921,305
Education				88,382	65,290		153,672
Total	<u>\$ 5,933,391</u>	<u>\$ 10,454,910</u>	<u>\$ 4,342,346</u>	<u>\$ 7,336,661</u>	<u>\$ 2,114,092</u>	<u>\$ 319,186</u>	<u>\$ 30,500,586</u>

SANTA CRUZ COUNTY

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY YEAR ENDED JUNE 30, 2003

Function and Activity	Governmental Funds			Governmental Funds Capital Assets June 30, 2003
	Capital Assets July 1, 2002	Additions	Deductions	
General government	\$ 15,594,083	\$ 603,355	\$ 460,416	\$ 15,737,022
Public safety	3,687,575	349,607	20,704	4,016,478
Highways and streets	4,564,532	486,250	147,671	4,903,111
Health, welfare and sanitation	2,989,510	813,526	34,038	3,768,998
Recreation	1,921,305			1,921,305
Education	<u>88,382</u>	<u>65,290</u>	<u></u>	<u>153,672</u>
Total governmental funds capital assets	<u>\$ 28,845,387</u>	<u>\$ 2,318,028</u>	<u>\$ 662,829</u>	<u>\$ 30,500,586</u>

STATISTICAL SECTION

SANTA CRUZ COUNTY

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Highways and Streets	Health, Welfare and Sanitation	Education and Economic Opportunity	Recreation	Debt Service	Total
1993-94 ⁽¹⁾	\$ 6,093,641	\$ 2,804,505	\$ 1,911,102	\$ 2,999,493	\$ 1,667,406	\$ 113,013	\$ 569,138	\$ 16,158,298
1994-95 ⁽¹⁾	6,151,768	3,592,542	3,154,229	3,225,382	1,595,039	462,952	571,031	18,752,943
1995-96 ⁽²⁾	6,621,311	3,588,249	2,809,036	3,311,230	1,457,323	137,413	567,886	18,492,448
1996-97 ⁽²⁾	7,388,349	3,891,295	2,360,871	3,988,960	2,056,895	96,128	567,971	20,350,469
1997-98 ⁽²⁾	7,804,516	4,112,307	2,417,027	4,509,819	2,415,599	96,840	567,505	21,923,613
1998-99 ⁽²⁾	8,327,949	4,262,875	2,715,266	4,626,194	2,142,245	95,889	565,326	22,735,744
1999-00 ⁽²⁾	8,777,360	4,943,688	3,251,114	4,773,391	2,216,010	375,407	557,975	24,894,945
2000-01 ⁽³⁾	9,681,412	5,162,176	4,811,564	4,771,920	2,068,935	142,964	564,931	27,203,902
2001-02 ⁽³⁾	10,758,141	5,428,538	4,754,708	4,850,726	3,303,198	152,015	564,656	29,811,982
2002-03 ⁽³⁾	9,868,573	5,746,799	3,651,617	4,946,608	4,037,183	150,626	562,631	28,964,037

NOTES:

- (1) Includes General, Special Revenue and Debt Service Funds. Expenditures for capital outlay are not included. For financial reporting the Private Industry Council was blended with the County's Special Revenue Funds prior to fiscal year 1995-96.
- (2) Includes the General Fund, Special Revenue Funds, Debt Service Fund and the Private Industry Council (discretely presented component unit). Expenditures reported as capital outlay are not included.
- (3) Includes the General Fund, Special Revenue Funds, and Debt Service Fund. Expenditures reported as capital outlay are not included.

SOURCE: Basic financial statements

SANTA CRUZ COUNTY

GENERAL GOVERNMENT REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Intergovernmental Revenues	Licenses and Permits	Charges for Services	Fines and Forfeits	Investment Income	Rents	Contributions and Miscellaneous	Total
1993-94 ⁽¹⁾	\$ 4,887,216	\$ 11,157,920	\$ 177,730	\$ 824,926	\$ 429,541	\$ 114,476	\$ 47,959	\$ 253,012	\$ 17,892,780
1994-95 ⁽¹⁾	5,531,492	11,336,950	185,482	702,880	743,524	192,633	21,233	183,435	18,897,629
1995-96 ⁽²⁾	6,076,136	11,082,776	183,081	923,863	535,166	192,820	11,200	119,322	19,124,364
1996-97 ⁽²⁾	6,520,323	11,753,973	224,964	954,759	606,083	171,874	8,475	94,253	20,334,704
1997-98 ⁽²⁾	6,792,874	12,540,779	247,856	1,096,579	590,423	201,704	8,425	99,902	21,578,542
1998-99 ⁽²⁾	8,151,288	13,045,484	415,161	1,373,323	884,693	208,715	8,400	147,217	24,234,281
1999-00 ⁽²⁾	8,393,625	13,781,349	416,327	1,465,321	769,863	263,859	8,400	384,856	25,483,600
2000-01 ⁽³⁾	9,089,430	15,480,611	380,183	1,702,029	837,359	299,608	0	331,851	28,121,071
2001-02 ⁽³⁾	10,149,300	18,771,323	463,603	1,711,073	812,058	185,369	14,524	163,291	32,270,541
2002-03 ⁽³⁾	11,047,960	16,727,344	648,236	2,678,823	965,193	(113,151)	30,000	237,327	32,221,732

NOTES:

- (1) Includes General, Special Revenue and Debt Service Funds. For financial reporting, the Private Industry Council was blended with the County's Special Revenue Funds prior to fiscal year 1995-96.
- (2) Includes the General Fund, Special Revenue Funds, Debt Service Fund and the Private Industry Council (discretely presented component unit).
- (3) Includes the General Fund, Special Revenue Funds, and Debt Service Fund.

SOURCE: Basic financial statements

SANTA CRUZ COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Primary Property Taxes	Secondary Property Taxes				Total Property Tax Levy	Property Taxes Collected			Percent of Levy	Outstanding Delinquent Taxes Receivable (2)
		Flood Control	Fire District	Debt Service Fund	Total		Primary	Secondary	Total (1)		
1993-94	\$ 3,661,428	\$ 600,000	\$ 165,597	\$ 512,756	\$ 1,278,353	\$ 4,939,781	\$ 3,393,177	\$ 1,259,633	\$ 4,652,810	94.00%	\$ 703,881
1994-95	4,179,207	600,000	161,982	519,948	1,281,930	5,461,137	3,900,351	1,257,792	5,158,143	94.45	732,421
1995-96	4,210,914	592,495	168,643	530,216	1,291,354	5,502,268	4,193,902	1,285,475	5,479,377	99.58	614,250
1996-97	4,402,897	603,914	170,855	537,169	1,311,938	5,714,835	4,277,572	1,296,505	5,574,077	97.54	725,396
1997-98	4,875,688	316,021	173,898	546,734	1,036,653	5,912,341	4,722,448	1,061,559	5,784,007	97.83	724,881
1998-99	5,770,881	645,590	181,072	564,354	1,391,016	7,161,897	5,406,241	1,311,885	6,718,126	93.80	910,369
1999-00	6,019,737	684,849	190,411	593,509	1,468,769	7,488,506	5,831,139	1,430,038	7,261,177	96.96	860,219
2000-01	6,404,168	718,592	201,652	628,549	1,548,793	7,952,961	6,081,744	1,477,337	7,559,081	95.05	849,620
2001-02	7,014,033	1,159,128	224,373	699,372	2,082,873	9,096,906	6,646,502	1,919,407	8,565,909	94.16	1,187,156
2002-03	7,637,148	1,230,454	235,056	732,668	2,198,178	9,835,326	6,857,507	1,980,608	8,838,115	89.86	1,663,463

NOTES:

- (1) Property taxes collected include both current year levy collections and outstanding delinquent taxes receivable collections.
- (2) Amount was obtained from applicable years' financial statements and represents primary and secondary County tax levies receivable, net of uncollectible as of fiscal year-end.

SOURCE: Annual budgets

SANTA CRUZ COUNTY

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Amounts in Thousands)

Fiscal Year	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed To Estimated Actual Value
1993-94 Primary	\$ 151,926	\$ 1,011,225	15.00%
1993-94 Secondary	156,519	1,043,103	15.01
1994-95 Primary	157,801	1,062,099	14.86
1994-95 Secondary	161,983	1,094,348	14.80
1995-96 Primary	160,482	1,108,966	14.47
1995-96 Secondary	170,493	1,182,774	14.41
1996-97 Primary	166,241	1,168,892	14.22
1996-97 Secondary	170,855	1,209,992	14.12
1997-98 Primary	171,167	1,214,648	14.09
1997-98 Secondary	173,898	1,240,400	14.02
1998-99 Primary	177,639	1,270,596	13.98
1998-99 Secondary	181,072	1,298,822	13.94
1999-00 Primary	185,297	1,371,767	13.51
1999-00 Secondary	190,410	1,418,095	13.43
2000-01 Primary	197,130	1,458,893	13.51
2000-01 Secondary	201,652	1,495,744	13.48
2001-02 Primary	215,903	1,590,882	13.57
2001-02 Secondary	224,373	1,660,243	13.51
2002-03 Primary	228,063	1,701,682	13.40
2002-03 Secondary	235,056	1,755,656	13.39

SOURCE: Tax Certification reports from Arizona Department of Revenue, Division of Property and Special Taxes, obtained from the Assessor's Office.

SANTA CRUZ COUNTY

PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS (Per \$100 of Assessed Value)

Fiscal Year	Santa Cruz County				Fire Districts			State of Arizona	Education Assistance
	County-Wide	Flood Control District	Fire District	Debt Service	Tubac	Rio Rico	Nogales Suburban		
1993-94	2.4100	0.4688	0.1058	0.3276	1.2837	1.1608	3.6682	3.3300	0.5300
1994-95	2.6485	0.4501	0.1000	0.3211	1.3350	1.4077	3.8193	3.3300	0.5300
1995-96	2.6485	0.4119	0.1000	0.3144	1.3135	1.4860	3.7322	3.3300	0.5300
1996-97	2.6485	0.4119	0.1000	0.3144	1.6585	1.6336	3.8800	2.2000	0.5300
1997-98	2.8485	0.2119	0.1000	0.3144	1.9184	1.7708	3.8813	2.2000	0.5300
1998-99	3.2487	0.4115	0.1000	0.3117	1.8427	1.9152	3.8330	2.2000	0.5300
1999-00	3.2487	0.4115	0.1000	0.3117	2.6168	2.0979	3.8073	2.1654	0.5217
2000-01	3.2487	0.4115	0.1000	0.3117	2.6085	2.2117	3.8154	2.1265	0.5123
2001-02	3.2487	0.6115	0.1000	0.3117	2.5901	2.2035	3.6850	2.0647	0.4974
2002-03	3.3487	0.6115	0.1000	0.3117	2.6142	2.2627	3.6657	2.0296	0.4889

SOURCE: Annual budgets

SANTA CRUZ COUNTY

**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS –
SCHOOL DISTRICTS
LAST TEN FISCAL YEARS
(Per \$100 of Assessed Value)**

Fiscal Year	Patagonia Union High School #20	Elementary Schools			Santa Cruz Valley Unified #35	Nogales Unified #1
		Patagonia #6	Sonoita #25	Santa Cruz #28		
1993-94	5.9511	3.5802	8.1124	10.0393	9.5210	6.9782
1994-95	6.2419	3.5588	7.3243	9.4262	8.1751	7.0130
1995-96	4.6601	2.9953	8.5457	9.4440	8.0921	7.1635
1996-97	3.9142	2.7792	7.6880	8.2032	8.0759	7.2044
1997-98	4.4567	2.7792	7.6897	8.8124	9.5308	7.0218
1998-99	4.4559	2.7758	7.6881	8.3102	9.2809	7.1452
1999-00	4.4549	2.7709	7.3342	8.3102	9.2809	6.7444
2000-01	4.4009	2.9293	7.1844	8.8315	9.1006	7.4978
2001-02	4.4347	3.7098	7.0119	8.5546	8.0142	6.8810
2002-03	3.5614	3.9804	6.1064	8.2479	7.5792	6.8164

SOURCE: Annual budgets

SANTA CRUZ COUNTY

PRINCIPAL TAXPAYERS

JUNE 30, 2003

(Amounts in Thousands)

Taxpayer	Estimated 2003 Secondary Assessed Valuation	Percent of County's 2003 Secondary Assessed Valuation
SC Electric & Gas	\$ 20,049	8.53 %
Qwest Corporation	5,893	2.51
Delta Properties LLP	4,436	1.89
Vatere LLC	2,412	1.03
Union Pacific Railroad	2,075	0.88
Wal-Mart Stores, Inc	1,927	0.82
Mariposa Mall Investors LLC	1,578	0.67
Rio Rico Properties	1,152	0.49
Panousopoulos Constantine & Nelida	1,267	0.54
Westrust Southwest Retail Partners LLC	1,118	0.48
Loma Kinda Shopping Center LLC	<u>1,118</u>	<u>0.48</u>
Total	<u>\$ 43,025</u>	<u>18.32 %</u>

NOTE: Amounts above represent assessment values for purposes of computing property tax assessments.

SOURCE: "Top 10 Taxpayers" list published by Arizona Department of Revenue.

SANTA CRUZ COUNTY

COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2003

(Amounts in Thousands)

Secondary assessed valuation	<u>\$ 235,056</u>
Legal debt limitation ⁽¹⁾	\$ 35,258
Deduct bond outstanding	<u>(1,520)</u>
Legal debt margin	<u>\$ 33,738</u>

NOTE:

⁽¹⁾ Legal debt limit is 15% of secondary assessed valuation.

SOURCE: Annual budget
Basic financial statements

SANTA CRUZ COUNTY

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (Amounts in Thousands)

Fiscal Year	Population	Secondary Assessed Value	Gross Bonded Debt	Debt Service Monies Available for Principal	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993-94	33,200	\$ 156,519	\$ 4,940	\$ 140	\$ 4,800	0.03	0.14
1994-95	34,325	161,983	4,630	110	4,520	0.03	0.13
1995-96	35,325	170,493	4,305	75	4,230	0.02	0.12
1996-97	36,525	170,855	3,960	58	3,902	0.02	0.11
1997-98	37,750	173,898	3,595	55	3,540	0.02	0.09
1998-99	39,000	181,072	3,215	27	3,188	0.02	0.08
1999-00	39,325	190,410	2,825	66	2,759	0.01	0.07
2000-01	39,325	201,652	2,410	134	2,276	0.01	0.06
2001-02	39,840	224,373	1,975	253	1,722	0.01	0.04
2002-03	40,890	235,056	1,520	360	1,160	0.01	0.03

SOURCE: Annual budget
Debt retirement schedule

SANTA CRUZ COUNTY

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES LAST TEN FISCAL YEARS (Amounts in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures	Ratio of Debt Service to Total General Government Expenditures
1993-94 ⁽¹⁾	\$ 290	\$ 279	\$ 569	\$ 6,094	0.09
1994-95 ⁽¹⁾	310	261	571	6,152	0.09
1995-96 ⁽²⁾	325	241	566	6,621	0.09
1996-97 ⁽²⁾	345	223	568	7,388	0.08
1997-98 ⁽²⁾	365	203	568	7,805	0.07
1998-99 ⁽²⁾	380	185	565	8,328	0.07
1999-00 ⁽²⁾	390	168	558	8,777	0.06
2000-01 ⁽³⁾	415	150	565	9,681	0.06
2001-02 ⁽³⁾	435	130	565	10,758	0.05
2002-03 ⁽³⁾	455	108	563	9,869	0.06

NOTES:

- (1) Includes General, Special Revenue and Debt Service Funds. For financial reporting, the Private Industry Council was blended with the County's Special Revenue Funds prior to fiscal year 1995-96.
- (2) Includes the General Fund, Special Revenue Funds, Debt Service Fund and the Private Industry Council (discretely presented component unit).
- (3) Includes the General Fund, Special Revenue Funds, and Debt Service Fund.

SOURCE: Basic financial statements

SANTA CRUZ COUNTY

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2003

(Amounts in Thousands)

Jurisdiction	Net Debt Outstanding	Percent Applicable to Santa Cruz	Amount Applicable to Santa Cruz
Santa Cruz County	\$ 1,520	100 %	\$ 1,520
School District	10,361	100 %	10,361

SOURCE: Report of Indebtedness – published by Arizona Department of Revenue

SANTA CRUZ COUNTY

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population	Per Capita Income	School Enrollment	Civilian Labor Force	Unemployment Rate
1994	33,200	\$ 13,456	8,195 ⁽²⁾	14,490	21.4 %
1995	34,325	13,572	8,480 ⁽³⁾	15,180	19.6
1996	35,325	14,282	8,794 ⁽⁴⁾	15,440	25.6
1997	36,525	15,009	9,083 ⁽⁵⁾	14,220	20.7
1998	37,750	15,938	8,913 ⁽⁶⁾	14,225	17.7
1999	39,000	16,496	9,085 ⁽⁷⁾	12,900	16.7
2000	39,325	17,373	9,434 ⁽⁸⁾	12,525	13.5
2001	39,325	17,964	9,324 ⁽⁹⁾	13,425	7.6
2002	39,840	N/A ⁽¹⁾	10,288 ⁽¹⁰⁾	13,225	9.1
2003	40,890	N/A ⁽¹⁾	10,171 ⁽¹¹⁾	14,475	12.4

NOTES:

- (1) Information not available.
- (2) School enrollment as of January 14, 1994.
- (3) School enrollment as of May 15, 1995.
- (4) School enrollment as of April 8, 1996.
- (5) School enrollment as of January 31, 1997.
- (6) School enrollment as of June 30, 1998.
- (7) School enrollment as of June 9, 1999.
- (8) School enrollment as of June 9, 2000.
- (9) School enrollment as of June 9, 2001.
- (10) School enrollment as of January 31, 2002.
- (11) School enrollment as of November 5, 2003.

SOURCES: Annual reports of the Superintendent of Public Instruction; Bureau of Economic Analysis – United States Department of Commerce; Arizona Economic Indicators as of Fall 2003, published by the University of Arizona – Economic and Business Research Program.

SANTA CRUZ COUNTY

DEMOGRAPHIC STATISTICS – INTERNATIONAL BORDER CROSSING LAST TEN YEARS

Year	Persons			Vehicles
	United States Citizens	Aliens	Total	
1994	5,170,899	10,845,431	16,016,330	4,021,860
1995	2,779,444	11,244,419	14,023,863	3,543,690
1996	2,914,902	10,252,094	13,166,996	3,632,280
1997	2,904,345	11,104,174	14,008,519	3,831,323
1998	2,958,124	11,712,371	14,670,495	3,958,508
1999	2,842,501	11,652,432	14,494,933	4,449,626
2000	3,146,755	12,715,067	15,861,822	4,840,233
2001	2,845,166	11,243,340	14,088,506	4,847,408
2002	2,792,955	11,609,578	14,402,533	4,227,673
2003 ⁽¹⁾	1,842,655	7,718,452	9,561,107	2,459,531

NOTE:

(1) Information through August 2003.

SOURCE: Arizona Economic Indicators published by the University of Arizona – Economic and Business Research Program.

SANTA CRUZ COUNTY

DEMOGRAPHIC STATISTICS – SALES, CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUE LAST TEN YEARS (Amounts in Thousands)

Year	Sales ⁽¹⁾		Construction		Bank Deposits	Assessed Property Value		
	Construction	Retail Trade	Construction Awards	Number of Dwelling Units Awarded		Commercial	Residential	Non-taxable
1994	37,179	270,834	51,528	443	452,976	60,841	42,135	12,723
1995	45,756	218,010	48,695	455	454,785	63,049	44,199	13,190
1996	38,428	230,057	49,245	503	459,441	61,297	47,537	14,637
1997	35,217	252,331	41,833	539	512,695	60,132	50,645	17,681
1998	42,153	276,794	49,712	536	566,682	62,047	54,896	16,845
1999	57,409	281,140	50,940	556	626,795	64,380	70,755	21,081
2000	47,377	313,267	68,637	528	528,395	64,380	70,756	21,414
2001	46,129	333,886	49,005	319	565,385	69,232	88,789	23,160
2002	46,895	342,025	40,939	379	571,175	71,972	93,256	23,836
2003	53,167	357,472	58,470	446	598,614	68,128	97,432	24,262

NOTES:

⁽¹⁾ Information reported for fiscal year ended June 30.

SOURCES: Abstract of the Assessment Roll, obtained through the Assessor's Office.
 Arizona Bankers Association
 Arizona Economic Indicators published by the University of Arizona – Economic and Business Research Program.
 Report of building or zoning permits issued and local public construction
 Arizona Department of Revenue Annual Report

SANTA CRUZ COUNTY

EMPLOYMENT STATISTICS JUNE 30, 2003

<u>Type of Employment</u>	<u>Employees</u>	<u>Percent of Total</u>
Goods-producing	1,350	11.0%
Trade, Transportation, and Utilities	4,975	40.5%
Other Private Service-Producing	2,775	22.6%
Federal Government	1,100	9.0%
State Government	<u>2,075</u>	<u>16.9%</u>
	12,275	100.0%

SOURCE: Arizona Economic Indicators as of Fall 2003, published by the University of Arizona – Economic and Business Research Program.

SANTA CRUZ COUNTY

MISCELLANEOUS STATISTICAL DATA YEAR ENDED JUNE 30, 2003

YEAR OF INCORPORATION	1899
FORM OF GOVERNMENT	Body politic county of State of Arizona Pursuant to Arizona Revised Statutes
AREA	1,246 square miles
MILES OF STREETS:	
Paved	391.93
Unpaved	334.98
REGISTERED VOTERS	17,644
Democrat	60.05%
Republican	20.72%
NUMBER OF FIDUCIAL COURTS:	
Superior Court Department	1
Justice of Peace Courts	2
FLOOD PROTECTION:	
Flood control district	1
Number of employees	9
SHERIFF PROTECTION:	
Number of stations	3
Number of employees	76
Major crimes	96
Vehicular patrol units	22
SANITARY LANDFILLS:	
Number of landfills	2
NUMBER OF PARKS:	
Neighborhood parks	7